

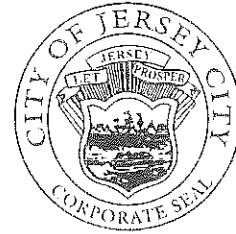
# Resolution of the City of Jersey City, N.J.

City Clerk File No. Res. 19-483

Agenda No. 10.1

Approved: MAY 28 2019

TITLE:



**RESOLUTION OF THE CITY OF JERSEY CITY  
AUTHORIZING THE CIRCULATION OF A PRELIMINARY  
OFFICIAL STATEMENT AND FINAL OFFICIAL  
STATEMENT IN CONNECTION WITH THE SALE OF THE  
CITY'S BOND ANTICIPATION NOTES, SERIES 2019B,  
BOND ANTICIPATION NOTES, SERIES 2019C AND  
SPECIAL EMERGENCY NOTES, SERIES 2019D AND  
APPROVING A CONTINUING DISCLOSURE CERTIFICATE  
WITH RESPECT TO SAID NOTES OF THE CITY, AND  
AUTHORIZING AND/OR RATIFYING OTHER ACTIONS IN  
CONNECTION THEREWITH**

**WHEREAS**, the Municipal Council of the City of Jersey City, in the County of Hudson, New Jersey (the "City"), has previously adopted an ordinance numbered 10-085 and finally adopted by the Municipal Council on July 14, 2010 as amended by ordinance numbered 15-125 and finally adopted by the Municipal Council on October 14, 2015 (collectively, "Ordinance 10-085"), an ordinance numbered 18-028 and finally adopted by the Municipal Council on April 25, 2018 ("Ordinance 18-028"), and an ordinance of the City numbered 18-038 and finally adopted by the Municipal Council of the City on May 9, 2018 ("Ordinance 18-038", and together with Ordinance 10-085 and Ordinance 18-028, the "Ordinances"), and a resolution of the City adopted by the Municipal Council of the City on May 9, 2018 (the "2018 Resolution"); and

**WHEREAS**, the City intends to issue its Bond Anticipation Notes, Series 2019B (Federally Taxable) in an amount not to exceed \$6,695,000 (the "Series 2019B Notes") under Ordinance 10-085 for the purpose of refunding a portion of the City's \$6,825,000 Bond Anticipation Notes, Series 2018B (Federally Taxable) which were issued on June 20, 2018 and mature on June 20, 2019, and used to refinance certain capital improvements; and

**WHEREAS**, the City intends to issue its Bond Anticipation Notes, Series 2019C in an amount not to exceed \$45,031,115 (the "Series 2019C Notes") under Ordinance 18-038 for the purpose of refunding the City's \$45,031,115 Bond Anticipation Notes, Series 2018C which were issued on June 20, 2018 and mature on June 20, 2019, and used to finance certain capital improvements; and

**WHEREAS**, the City intends to issue its Special Emergency Notes, Series 2019D (the "Series 2019D Notes", and together with the Series 2019B Notes and the Series 2019C Notes, the "Notes") in an amount not to exceed \$752,400 under Ordinance 18-028 and the 2018 Resolution for the purpose of refunding a portion of the City's \$940,500 Special Emergency Notes, Series 2018D which were issued on June 20, 2018 and mature on June 20, 2019, and used to finance the preparation of the City's master plan; and

**WHEREAS**, all matters pertaining to the sale of the Notes have been delegated by the Ordinances and the 2018 Resolution to the Chief Financial Officer of the City; and

**WHEREAS**, in connection with the offering and sale of the Notes, the City intends to distribute a Preliminary Official Statement and final Official Statement setting forth certain information relating to the City and the Notes, and the City also intends to enter into a Continuing Disclosure Certificate.

**NOW, THEREFORE, BE IT RESOLVED BY THE MUNICIPAL COUNCIL OF THE CITY OF JERSEY CITY, IN THE COUNTY OF HUDSON, NEW JERSEY, AS FOLLOWS:**

{00136814;v1/ 01-380/123}

City Clerk File No. Res. 19-483Agenda No. 10.1 MAY 28 2019

## TITLE:

SECTION 1. Authorization for Official Statement. The distribution by the City, and its municipal advisor, of the Preliminary Official Statement relating to the Notes (a draft of which is attached hereto as Exhibit A and shall be filed with the records of the City) is hereby approved in substantially such form, with such insertions, deletions and changes therein and any supplements thereto as bond counsel may advise and the City officer executing the same may approve, such approval to be evidenced by such City officer's execution thereof. The Acting Chief Financial Officer is hereby authorized to deem the Preliminary Official Statement "final" within the meaning of Rule 15c2-12 of the Rules of the Securities and Exchange Commission and to execute and deliver a certificate to that effect. The Acting Chief Financial Officer is hereby authorized to approve the contents and terms of the final Official Statement in respect of the aforementioned notes in substantially the form of the Preliminary Official Statement. The Acting Chief Financial Officer is hereby authorized to sign such Official Statement on behalf of the City, in substantially such form, with such insertions, deletions and changes therein and any supplements thereto as bond counsel may advise and the City officer executing the same may approve, such approval to be evidenced by such City officer's execution thereof.

SECTION 2. Continuing Disclosure. The form of the Continuing Disclosure Certificate in substantially the form attached hereto as Exhibit B is hereby approved, and the execution of the Continuing Disclosure Certificate by the Acting Chief Financial Officer of the City is hereby authorized. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default on the Notes; however, any holder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section.

Section 3. Further Action. Any matter relating to the award, sale or execution of the Notes which has been delegated by the Ordinances to the Chief Financial Officer may be performed by said officer. On behalf of the City, the appropriate representatives of the City are authorized and directed to take all steps which are necessary or convenient to effectuate the terms of this Resolution with respect to the issuance, sale and delivery of the Notes, including, but not limited to the execution of all tax certificates and other closing documentation. All such actions heretofore taken are hereby ratified, approved and confirmed.

Section 4. Effective Date. This Resolution shall take effect upon adoption.

APPROVED: \_\_\_\_\_

APPROVED AS TO LEGAL FORM

APPROVED: \_\_\_\_\_

Business Administrator

Corporation Counsel

Certification Required ☐Not Required ☐

APPROVED 9-0

RECORD OF COUNCIL VOTE ON FINAL PASSAGE 5.28.19											
COUNCILPERSON	AYE	NAY	N.V.	COUNCILPERSON	AYE	NAY	N.V.	COUNCILPERSON	AYE	NAY	N.V.
RIDLEY	✓			YUN	✓			RIVERA	✓		
PRINZ-AREY	✓			SOLOMON	✓			WATTERMANN	✓		
BOGGIANO	✓			ROBINSON	✓			LAVARRO, PRES	✓		

✓ Indicates Vote

N.V.-Not Voting (Abstain)

Adopted at a meeting of the Municipal Council of the City of Jersey City N.J.

Rolando R. Lavarro, Jr., President of Council

Robert Byrne, City Clerk

438

**RESOLUTION FACT SHEET – NON-CONTRACTUAL**

This summary sheet is to be attached to the front of any resolution that is submitted for Council consideration. Incomplete or vague fact sheets will be returned with the resolution.

**Full Title of Ordinance/Resolution**

**RESOLUTION OF THE CITY OF JERSEY CITY AUTHORIZING THE CIRCULATION OF A PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT IN CONNECTION WITH THE SALE OF THE CITY'S BOND ANTICIPATION NOTES, SERIES 2019B, BOND ANTICIPATION NOTES, SERIES 2019C AND SPECIAL EMERGENCY NOTES, SERIES 2019D AND APPROVING A CONTINUING DISCLOSURE CERTIFICATE WITH RESPECT TO SAID NOTES OF THE CITY, AND AUTHORIZING AND/OR RATIFYING OTHER ACTIONS IN CONNECTION THEREWITH**

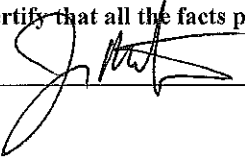
Note: Initiator must be available by phone during agenda meeting (Wednesday prior to council meeting @ 4:00 p.m.)

Department/Division	Administration	Management & Budget
Name/Title	John Metro	
Phone/email	(201) 547-5036	Jmetro@icnj.org

**Resolution Purpose**

Proceeds from the series 2019B and 2019C notes will be used to refinance existing notes originally issued for various capital purposes. Proceeds from the 2019D notes will be used to refinance existing notes originally issued to pay for a new master plan.

I certify that all the facts presented herein are accurate.



Date: 5/14/2019

### CERTIFICATE

I, Robert Byrne, Clerk of the City of Jersey City, in the County of Hudson, New Jersey, HERBY CERTIFY that the foregoing annexed extract from the minutes of the meeting of the governing body of the City duly called and held on May 22, 2019 has been compared by me with the original minutes as officially recorded in my office in the Minute Book of the governing body and is a true, complete and correct copy thereof and of the whole of the original minutes so far as they relate to the subject matters referred to in the extract.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the City this \_\_\_\_ day of \_\_\_\_\_, 2019.

[SEAL]

\_\_\_\_\_  
ROBERT BYRNE, City Clerk

**EXHIBIT A**

(Sent by Email)

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

**NEW ISSUE****RATING: See "RATING" herein**

*In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Tax-Exempt Notes and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Tax-Exempt Notes, interest on the Tax-Exempt Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Tax-Exempt Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals. Interest on the Taxable Notes is not excluded from gross income for federal income tax purposes. Further, in the opinion of Bond Counsel, under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

**CITY OF JERSEY CITY**  
**in the County of Hudson, New Jersey**

**\$52,478,515 NOTES****Consisting of:****\$6,695,000 BOND ANTICIPATION NOTES, SERIES 2019B (FEDERALLY TAXABLE),****\$45,031,115 BOND ANTICIPATION NOTES, SERIES 2019C****and****\$752,400 SPECIAL EMERGENCY NOTES, SERIES 2019D****Dated: Date of Delivery****Due: June 18, 2020, as shown below**

The \$6,695,000 Bond Anticipation Notes, Series 2019B (Federally Taxable) (the "Taxable Notes"), the \$45,031,115 Bond Anticipation Notes, Series 2019C (the "Bond Anticipation Notes") and the \$752,400 Special Emergency Notes, Series 2019D (the "Special Emergency Notes", and together with the Bond Anticipation Notes, the "Tax-Exempt Notes") will be issued by the City of Jersey City, in the County of Hudson, New Jersey (the "City"). The Taxable Notes and the Tax-Exempt Notes are hereinafter referred to as the "Notes".

The Notes will be issued as fully registered Notes in the form of one certificate for the aggregate principal amount of each series of Notes and, when issued, will be registered in the name of and held by Cede & Co., as nominee for DTC. Purchases of the Notes of each series will be made in book-entry-only form (without certificates) in denominations of \$5,000 or more. So long as DTC, or its nominee Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes are to be made directly to Cede & Co., which is to remit such payments to DTC participants, which in turn is to remit such payments to be beneficial owners of the Notes (see "DESCRIPTION OF THE NOTES – Book Entry Only System" herein). Interest on the Notes is payable at maturity. The Notes are not subject to redemption prior to their maturity.

\$6,695,000 \_\_%, Bond Anticipation Notes, Series 2019B (Federally Taxable), Due June 18, 2020– Price \_\_\_\_%  
 \$45,031,115 \_\_%, Bond Anticipation Notes, Series 2019C, Due June 18, 2020– Price \_\_\_\_%  
 \$752,400 \_\_%, Special Emergency Notes, Series 2019D, Due June 18, 2020– Price \_\_\_\_%

The Notes constitute general obligations of the City, and the full faith and credit and unlimited taxing power of the City are pledged to the payment of the principal of, applicable premium, if any, and interest on the Notes. The City shall be required to levy *ad valorem* taxes upon all taxable real property within the City for the payment of the principal of and interest on the Notes without limitation as to rate or amount. The Notes are not a debt or obligation, legal, moral, or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof, other than the City.

The Notes are offered when, as and if issued by the City and delivered to the purchasers, subject to the approval of legality by GluckWalrath LLP, Trenton, New Jersey, Bond Counsel, and other conditions described herein. NW Financial Group, LLC, Hoboken, New Jersey, has served as municipal advisor in connection with the issuance of the Notes. It is expected that the Notes will be available for delivery on or about June 18, 2019. The Notes are to be delivered through the facilities of DTC in Jersey City, New Jersey.

**ELECTRONIC AND FAXED PROPOSALS WILL BE RECEIVED FOR THE NOTES ON JUNE 4, 2019 UNTIL 11:00 AM FOR THE TAX-EXEMPT NOTES AND UNTIL 11:30 AM FOR THE TAXABLE NOTES. FOR MORE INFORMATION ON HOW TO BID, PLEASE REFER TO THE ENCLOSED NOTICES OF SALE.**

**CITY OF JERSEY CITY,  
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY**

**MAYOR**

Steven M. Fulop

**CITY COUNCIL**

Rolando R. Lavarro	Council President
Daniel Rivera	Councilman-at-Large
Joyce Waterman	Councilwoman-at-Large
Denise Ridley	Ward A Councilwoman
Mira Prinz-Avery	Ward B Councilwoman
Richard Boggiano	Ward C Councilman
Michael Yun	Ward D Councilman
James Solomon	Ward E Councilman
Jermaine Robinson	Ward F Councilwoman

**CITY OFFICIALS**

Brian Platt, Business Administrator  
Peter J. Baker, Corporation Counsel  
Annisia R. Ciallone, Director of Housing, Economic Development and Commerce  
Elizabeth Castillo, Acting Chief Financial Officer  
Robert Byrne, City Clerk

**BOND COUNSEL**

GluckWalrath LLP  
Trenton, New Jersey

**MUNICIPAL ADVISOR**

NW Financial Group, LLC  
Hoboken, New Jersey

**INDEPENDENT AUDITORS**

Donohue, Gironda, Doria & Tomkins, LLC  
Bayonne, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. The information contained herein has been obtained from the City, DTC and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the City or the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, ordinances, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the City during normal business hours. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The order and placement of materials in this Official Statement, including the Appendices, are not deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

In order to facilitate the distribution of the Notes, the Underwriters may engage in transactions intended to stabilize the price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Notes are offered to the public by the Underwriters and the yields resulting therefrom may vary from the initial public offering prices or yields shown on the cover and the inside front cover page hereof. In addition, the Underwriters may allow concessions or discounts from such initial public offering prices or yields to dealers and others.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy or completeness of such information.



## Table of Contents

	<u>Page #</u>
INTRODUCTION.....	1
DESCRIPTION OF THE NOTES.....	1
General Description of the Notes.....	1
Book-Entry Only System.....	2
Discontinuation of Book-Entry Only System.....	3
Redemption.....	4
AUTHORIZATION OF THE NOTES.....	4
PURPOSE OF THE NOTES AND APPLICATION OF PROCEEDS.....	4
SECURITY AND SOURCE OF PAYMENT.....	5
NO DEFAULT.....	5
MARKET PROTECTION.....	5
CITY OF JERSEY CITY.....	5
RECENT FINANCIAL RESULTS AND FINANCIAL OUTLOOK.....	6
Financial Overview.....	6
Financial Results.....	6
CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT.....	7
Local Bond Law (N.J.S.A. 40A:2-1 et seq.).....	7
The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.).....	7
Debt Limits (N.J.S.A. 40A:2-6).....	7
Exceptions to Debt Limits - Extensions of Credit (N.J.S.A. 40A:2-7).....	7
Short-Term Financing.....	8
MUNICIPAL BUDGET.....	8
The Local Budget Law (N.J.S.A. 40A:4-1 et seq.).....	8
Real Estate Taxes.....	8
Miscellaneous Revenues.....	9
Limitations on Expenditures (“Cap Law”) and Property Tax Levy Cap.....	9
Deferral of Current Expenses.....	10
Budget Transfers.....	10
Fiscal Year.....	10
Budget Process.....	10
TAX INFORMATION ON THE CITY.....	11
Tax Appeals.....	11
DEBT INFORMATION ON THE CITY.....	12
Debt Statements.....	12
TAX MATTERS.....	12
Federal Income Taxes.....	12
Certain Federal Tax Considerations.....	12
Backup Withholding.....	13
Changes in Law and Post-Issuance Events.....	13
Taxable Notes.....	13
State Taxes.....	14
LITIGATION.....	14
APPROVAL OF LEGAL PROCEEDINGS.....	14
MUNICIPAL BANKRUPTCY.....	15
CONTINUING DISCLOSURE.....	15
LEGALITY FOR INVESTMENT.....	16
MUNICIPAL ADVISOR.....	16

UNDERWRITING.....	16
RATING .....	16
CLOSING CERTIFICATES.....	17
PREPARATION OF OFFICIAL STATEMENT.....	17
FINANCIAL STATEMENTS .....	17
ADDITIONAL INFORMATION .....	18
MISCELLANEOUS .....	18

APPENDIX A – CERTAIN INFORMATION REGARDING THE CITY OF JERSEY CITY
APPENDIX B – INDEPENDENT AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS AND ACCOUNTANTS' COMPILATION REPORT AND UNAUDITED FINANCIAL STATEMENTS
APPENDIX C – FORM OF BOND COUNSEL OPINION
APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE

**OFFICIAL STATEMENT  
of the  
CITY OF JERSEY CITY,  
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY**

**\$52,478,515 NOTES**

**Consisting of:  
\$6,695,000 BOND ANTICIPATION NOTES, SERIES 2019B (FEDERALLY TAXABLE),  
\$45,031,115 BOND ANTICIPATION NOTES, SERIES 2019C  
and  
\$752,400 SPECIAL EMERGENCY NOTES, SERIES 2019D**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Jersey City (the "City"), in the County of Hudson (the "County"), State of New Jersey (the "State" or "New Jersey") in connection with the sale and issuance by the City of its \$6,695,000 Bond Anticipation Notes, Series 2019B (Federally Taxable) (the "Taxable Notes" or the "Series 2019B Notes"), the \$45,031,115 Bond Anticipation Notes, Series 2019C (the "Bond Anticipation Notes" or the "Series 2019C Notes") and the \$752,400 Special Emergency Notes, Series 2019D (the "Special Emergency Notes" or the "Series 2019D Notes", and together with the Bond Anticipation Notes, the "Tax-Exempt Notes"). The Taxable Notes and the Tax-Exempt Notes are hereinafter collectively referred to as the "Notes". This Official Statement (the "Official Statement"), which includes the cover page, the inside front cover pages and the Appendices attached hereto, has been authorized by the Mayor and City Council to be distributed in connection with the sale of the Notes and has been executed by and on behalf of the City by the Business Administrator and the Acting Chief Financial Officer.

This Official Statement contains specific information relating to the Notes including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Notes. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the City.

This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

**DESCRIPTION OF THE NOTES**

**General Description of the Notes**

The Notes shall be dated the date of delivery and mature on June 18, 2020. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Notes will be paid when due and at maturity at the office of the Chief Financial Officer of the City (unless a Paying Agent is appointed by the City). So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest on the Notes are to be made directly to Cede & Co., as nominee for DTC; disbursements

of such payments to the DTC Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners of the Notes is the responsibility of the DTC Participants. The Notes will be issued in fully registered form in the denomination of \$5,000 or more, and, under certain circumstances, are exchangeable for one or more fully registered Notes of like principal amount, series and maturity in the denomination of \$5,000 or more.

### **Book-Entry Only System**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered bonds and notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Fully-registered Bond and Note certificates will be issued in the aggregate principal amounts of the Notes of each series and maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or

such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

#### **Discontinuation of Book-Entry Only System**

If the City, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Notes at any time, the City will attempt to locate another

qualified Securities Depository. If the City fails to find such Securities Depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the City shall notify DTC of the termination of the book-entry only system.

## **Redemption**

The Notes are not subject to redemption prior to maturity.

## **AUTHORIZATION OF THE NOTES**

The Series 2019B Notes and the Series 2019C Notes have been authorized and are to be issued pursuant to the Local Bond Law and a bond ordinance of the City numbered 10-085 and adopted by the Municipal Council of the City on July 14, 2010 as amended by ordinance numbered 15.125 and adopted by the Municipal Council on October 14, 2015 (collectively, "Ordinance 10-085") and a bond ordinance numbered 18-038 and adopted by the Municipal Council of the City on May 9, 2018 ("Ordinance 18-038", and together with Ordinance 10-085, the "Bond Ordinances").

The Series 2019D Notes have been authorized and are to be issued pursuant to the Local Budget Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Local Budget Law"), specifically N.J.S.A. 40A:4-53, and an ordinance of the City numbered 18-028 and adopted by the Municipal Council of the City on April 25, 2018 ("Ordinance 18-028"), and a resolution of the City adopted by the Municipal Council of the City on May 9, 2018. Pursuant to the Local Budget Law, the special emergency notes may be renewed from time to time, provided that at least 1/5 of all such special emergency notes, and the renewals thereof, mature and are paid in each year so that all the special emergency notes and renewals are paid no later than the last day of the fifth year following the date of the resolution authorizing such special emergency notes.

The Bond Ordinances have been published in full after final adoption along with the statement that the twenty (20) day period of limitation, within which a suit, action or proceeding questioning the validity of the Bond Ordinances could be commenced, began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the City.

## **PURPOSE OF THE NOTES AND APPLICATION OF PROCEEDS**

The City will apply the proceeds from the sale of the Series 2019B Notes to (i) pay a portion of the maturing principal of the City's \$6,825,000 Bond Anticipation Notes, Series 2018B (Federally Taxable) (the "Series 2018B Notes") which were issued on June 20, 2018 and are payable on June 20, 2019; and (ii) pay a portion of the costs of issuing the Series 2019B Notes. Such Series 2018B Notes were issued to refinance certain capital improvements and pay a portion of the costs of issuing the Series 2018B Notes. The remaining \$130,000 of maturing principal of the Series 2018B Notes will be paid from budgeted appropriations.

The City will apply the proceeds from the sale of the Series 2019C Notes to (i) pay the maturing principal of the City's \$45,031,115 Bond Anticipation Notes, Series 2018C (the "Series 2018C Notes") which were issued on June 20, 2018 and are payable on June 20, 2019; and (ii) pay a portion of the costs of issuing the Series 2019C Notes. Such Series 2018C Notes were issued to finance certain capital improvements and pay a portion of the costs of issuing the Series 2018C Notes.

The City will apply the proceeds from the sale of the Series 2019D Notes to (i) pay a portion of the maturing principal of the City's \$940,500 Special Emergency Notes, Series 2018D (the "Series 2018D Notes")

which were issued on June 20, 2018 and are payable on June 20, 2019; and (ii) pay a portion of the costs of issuing the Series 2019D Notes. Such Series 2018D Notes were issued to finance the cost of the preparation of the City's master plan and pay a portion of the costs of issuing the Series 2018D Notes. The remaining \$188,100 of maturing principal of the Series 2018D Notes will be paid from budgeted appropriations.

### **SECURITY AND SOURCE OF PAYMENT**

The Notes constitute general obligations of the City and the full faith and credit and unlimited taxing power of the City are pledged to the payment of principal of, and interest on the Notes. The City is authorized and required by law to levy *ad valorem* taxes on all real property taxable by the City for the payment of the principal of and the interest on the Notes without limitation as to rate or amount. Payment of such principal and interest is not limited, however, to any particular fund or source of revenue of the City. The City is required to include in its annual municipal budget the total amount of interest and principal charges on all of its general obligation indebtedness for the current year.

The Notes are not a debt or obligation, legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof, other than the City.

*The Notes are not entitled to the benefits of the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, Section 40A:3-1, et seq., as amended, the School Qualified Bond Act, Title 18A of the New Jersey Statutes, Section 18A:24-85 et seq., as amended, or the New Jersey School Bond Reserve Act, P.L. 1980 (N.J.S.A. 18A:56-17 et seq.).*

### **NO DEFAULT**

The City has never defaulted in the payment of principal of, redemption premium, if any, and interest on any bonds or notes or other obligations of the City, nor are any payments of principal of or interest on the City's indebtedness past due.

### **MARKET PROTECTION**

The Jersey City Redevelopment Agency (the "JCRA") intends to issue approximately \$10,000,000 in project notes at the end of May 2019 to refinance certain costs relating to a redevelopment project. Such project notes will be secured primarily by certain subsidy payments to be made by the City to the JCRA in amounts equal to the debt service on such obligations.

The City intends to issue approximately (i) \$13,200,000 taxable Special Emergency Notes, \$2,000,000 tax-exempt Special Emergency Notes, \$12,039,000 tax-exempt Bond Anticipation Notes and \$15,000,000 Bond Anticipation Notes in December 2019.

### **CITY OF JERSEY CITY**

The City is New Jersey's second largest municipality with a population of 247,597 according to the United States Department of Commerce's 2010 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York - Northern New Jersey metropolitan area.

The City's land area is 15.8 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multi-family development over the past ten years. The City is connected to New York City by the Holland Tunnel and the PATH railroad tubes and is within ten miles of Newark International Airport and the container and cargo facilities of Port Newark-Elizabeth. The City is located in the County of Hudson. The City's size and current development activity cause it to dominate the economy of Hudson County (the Jersey City Labor Area). The City also serves as the seat of the

County government. Of the approximately 275,000 persons employed in the County, approximately 43% are employed in Jersey City. For additional information regarding the City and its finances, see "APPENDIX A - Certain Information Regarding the City of Jersey City".

## **RECENT FINANCIAL RESULTS AND FINANCIAL OUTLOOK**

### **Financial Overview**

Appendix A contains information relative to the financial operations of the City. Over the last few years, the City's financial position has improved due to structurally balanced operations and strong prospects for continued tax base growth. The City has benefited from successful efforts to raise additional recurring revenues while reducing personnel related expenditures.

The calendar year that ended December 31, 2018 resulted in an excess of \$46,307,180 in operations and the City's unaudited fund balance was \$76,066,342. The calendar year that ended December 31, 2017 resulted in an excess of \$17,379,481 in operations and the City's audited fund balance was \$56,339,410. The calendar year that ended December 31, 2016 resulted in an excess of \$43,960,220 in operations and the City's audited fund balance was \$78,920,179. The calendar year that ended December 31, 2015 resulted in an excess of \$20,295,394 in operations and the City's audited fund balance was \$50,705,610. The calendar year that ended December 31, 2014 resulted in an excess of \$33,812,449 in operations and the City's audited fund balance was \$56,132,966.

### **Financial Results**

**2019 Budget.** The City's budget for the 2019 Calendar year was introduced on March 27, 2019. The Municipal Tax Levy increased to \$249,609,013. The City's 2019 budget anticipated \$66,358,892 in State Aid.

**2018 Budget.** The City's budget for the 2018 Calendar year was introduced on March 14, 2018 and adopted on July 18, 2018. The Municipal Tax Levy increased to \$236,746,746. The City's 2018 budget realized \$66,358,882 in State Aid.

**2017 Budget.** The City's budget for the 2017 Calendar year was introduced on March 22, 2017 and adopted on July 10, 2017. The Municipal Tax levy increased to \$228,298,260. The City's 2017 budget realized \$67,050,310 in State Aid.

**2016 Budget.** The City's budget for the 2016 Calendar year was introduced on February 24, 2016 and adopted on July 20, 2016. The Municipal Tax levy increased to \$226,747,422. The City's 2016 budget realized \$69,465,660 in State Aid.

**2015 Results.** The City's budget for the 2015 Calendar year was introduced on March 11, 2015 and adopted on July 28, 2015. The Municipal Tax levy increased to \$219,785,389. The City's 2015 budget realized \$68,430,369 in State Aid.

**2014 Results.** The City's budget for the 2014 Calendar year was introduced on March 12, 2014 and adopted on September 23, 2014. The Municipal Tax levy decreased to \$217,414,170. The City's 2014 budget realized \$68,569,897 in State Aid.



## CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial or sinking fund installments. A five percent (5%) cash down payment is generally required to be appropriated for the financing of expenditures for municipal purposes for which bonds are authorized.

### **The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director (as defined herein) within six (6) months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its completion.

The chief financial officer of every local unit must file annually with the Director a verified statement of financial condition of the local unit and all constituent boards, agencies and commissions.

The annual audit report is filed with the City Clerk and is available for review during business hours.

### **Debt Limits (N.J.S.A. 40A:2-6)**

The authorized bonded indebtedness of a municipality in the State is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its equalized valuation basis. The equalized valuation basis of a municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

On December 31, 2018, the City's percentage of statutory net debt was 2.028% and was comprised of the following:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Purposes	\$783,279,702	\$188,178,728	\$595,100,974
School Purposes	\$17,517,258	\$22,417,258	\$0

### **Exceptions to Debt Limits - Extensions of Credit (N.J.S.A. 40A:2-7)**

The debt limit of the City may be exceeded with the approval of the Local Finance Board, a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of the City to meet its obligations or to provide essential services, or makes other statutory determinations, approval may be granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Local Finance Board to fund certain

bonds for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

### **Short-Term Financing**

The City may issue short term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes, which are general obligations of the City, may be issued for a period not exceeding one (1) year. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of outstanding notes that may be renewed is decreased by the minimum amount required for the first year's principal payment of bonds in anticipation of which such notes are issued.

## **MUNICIPAL BUDGET**

Pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"), the City is required to have a balanced budget in which debt service is included in full for each fiscal year.

### **The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual cash basis budget. The City must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are regulated by law and must be certified by the Director prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director of the Division (the "Director") is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis". No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of City revenues are real estate taxes, State Aid, Federal Aid and miscellaneous revenues.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes are limited in amount by law and must be paid off in full by a municipality within one hundred twenty (120) days after the close of the fiscal year.

### **Real Estate Taxes**

The general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 delineates anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

Section 41 of the Local Budget Law provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year."

The provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\frac{\text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes}}{\text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)}} = \frac{\text{Amount to be Raised by Taxation}}{\text{ }}$$

### **Miscellaneous Revenues**

Section 26 of the Local Budget Law provides: "no miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10). The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

### **Limitations on Expenditures ("Cap Law") and Property Tax Levy Cap**

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law was amended and became effective on July 7, 2004. The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the City may, by ordinance approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the City for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15b restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote in excess of fifty percent (50%).

The Division has advised that counties and municipalities must comply with both the budget Cap Law and the tax levy limitation. Neither the tax levy limitation nor the Cap Law, however, limits the obligation of the City to levy *ad valorem* taxes upon all taxable property within the boundaries of the City to pay debt service on bonds and notes.

### **Deferral of Current Expenses**

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the City, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, reevaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

### **Fiscal Year**

In 2010, the City changed its fiscal year from a June 30<sup>th</sup> year end to a December 31<sup>st</sup> year end. The City adopted a transition year budget for the period July 1, 2010 through December 31, 2010 and introduced a full calendar year budget for the period commencing January 1, 2011 and in each calendar year thereafter.

### **Budget Process**

Primary responsibility for the City's budget process lies with the City Council. As prescribed by the Local Budget Law, adoption should occur by the end of March; however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the City operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition

to the temporary budget, the City may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

## **TAX INFORMATION ON THE CITY**

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

Upon the filing of certified adopted budgets by the City, the school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 *et seq.* Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special district.

For calendar year municipalities, tax bills are generally sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, school district or county purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, school district or county purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, school district or county purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Corporation Counsel (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of Chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

### **Tax Appeals**

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1<sup>st</sup> day of April (1<sup>st</sup> day of May in a revaluation year) of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to

take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

## **DEBT INFORMATION ON THE CITY**

### **Debt Statements**

The City must report all new authorizations of debt or changes in previously authorized debt to the Division. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year, the City must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the City as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Tax-Exempt Notes for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Notes. The City has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Notes, and has covenanted not to take any action or permit any action that would cause the interest on the Tax-Exempt Notes to be included in gross income under Section 103 of the Code or cause interest on the Tax-Exempt Notes to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code. Bond Counsel will not independently verify the accuracy of those certifications and representations.

Assuming the City observes its covenants with respect to compliance with the Code, GluckWalrath LLP, Bond Counsel to the City, is of the opinion that, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals. See "Certain Federal Tax Considerations" below.

### **Certain Federal Tax Considerations**

Ownership of the Tax-Exempt Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Tax-Exempt Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Tax-Exempt Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Tax-Exempt Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Tax-Exempt Notes should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Tax-Exempt Notes.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning

and disposing of the Tax-Exempt Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Backup Withholding**

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Tax-Exempt Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Tax-Exempt Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

### **Changes in Law and Post-Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Tax-Exempt Notes for federal or state income tax purposes, and thus on the value or marketability of the Tax-Exempt Notes. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Tax-Exempt Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Tax-Exempt Notes may occur. Prospective purchasers of Tax-Exempt Notes should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Tax-Exempt Notes may affect the tax status of interest on the Tax-Exempt Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Tax-Exempt Notes, or the interest thereon, if any action is taken with respect to the Tax-Exempt Notes or the proceeds thereof upon the advice or approval of counsel other than Bond Counsel.

### **Taxable Notes**

The following is a general discussion of certain of the anticipated federal tax consequences of the purchase, ownership and disposition of the Taxable Notes by the original purchasers of the Taxable Notes. Investors should consult their own tax advisors in determining the federal, state, local or other tax consequences to them of purchase, ownership and disposition of the Taxable Notes. This discussion is based upon the Code, regulations, rulings and decisions now in effect, all of which are subject to change at any time, possibly with retroactive effect, and does not purport to deal with federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. This discussion assumes that Taxable Notes will be held as "capital assets" under the Code and that the Taxable Notes are owned by U.S. Holders (as defined below). Investors should consult their own tax advisors in determining the federal, state, local or other tax consequences to them of purchase, ownership and disposition of the Taxable Notes.

As used herein, the term "U.S. Holder" means a beneficial owner of a bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any State or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a court within the United States and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

**INTEREST ON THE TAXABLE NOTES IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES.** The City

will report annually (or more frequently if required) to owners of record and to the IRS in respect of interest paid on the Taxable Notes.

Under the Code, payments on the Taxable Notes may under certain circumstances, be subject to "backup withholding" at a rate equal to the fourth lowest rate of tax applicable under Section 1(c) of the Code. This withholding generally applies if the owner (i) fails to furnish such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide such owner's securities broker with a certified statement, signed under penalties of perjury, that the TIN is correct and that such Noteholder is not subject to backup withholding. Owners of the Taxable Notes should consult their own tax advisors as to their qualification for exemption for backup withholding and the procedures for obtaining the exemption.

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a taxable bond or a taxable note, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Taxable Notes.

The City may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Notes to be deemed to be no longer outstanding under the Resolution (a "defeasance"). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Notes subsequent to any such defeasance could also be affected.

## **State Taxes**

In the opinion of Bond Counsel, under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Notes, interest on the Notes and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act.

**ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.**

## **LITIGATION**

To the knowledge of the City's Corporation Counsel, Peter J. Baker, Esq. (the "Corporation Counsel"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes to pay the principal of or the interest on the Notes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the Corporation Counsel, except as set forth in Appendix A under the section entitled "Pending Litigation", no litigation is presently pending or threatened that, in the opinion of the Corporation Counsel, would have a material adverse impact on the financial condition of the City if adversely decided. A certificate or opinion to such effect will be executed by the Corporation Counsel and delivered to the Underwriters at the closing.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of GluckWalrath LLP, Trenton, New Jersey, Bond Counsel to the City, whose approving legal opinions will be delivered with the Notes substantially in the forms set forth in Appendix C hereto. Certain legal matters will be passed on for the City by its Corporation Counsel.



## MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to 11 U.S.C. § 101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the City, has the power to file a petition in bankruptcy with any United States court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

**The City has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the City expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Notes, or that the Bankruptcy Code could not be amended after the date hereof.**

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of bondholders and noteholders to provide certain financial information and operating data on the City and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in the Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Certificate to be delivered concurrently with the delivery of the Notes. These covenants are being made by the City to assist the purchasers of the Notes in complying with the Rule.

The City has previously failed to file, in a timely manner, its Annual Reports in accordance with the Rule for the calendar year ended December 31, 2013. Generally, the City had previously filed, in a timely manner, the required audited financial statements, but did not timely file all required operating data for the periods referenced above. Additionally, the City had failed to file, in a timely manner, certain material event notices relating to rating changes of the City, the Municipal Qualified Bond Act, the School Qualified Bond Act, the School Bond Reserve Act and various bond insurance companies. Such notices were filed on November 13, 2014. Further, the City recently determined that it inadvertently failed to comply with prior undertakings to provide its Annual Report for the calendar years ended December 31, 2013 and December 31, 2014 with respect to bonds issued by the Jersey City Municipal Utilities Authority (the "JCMUA Undertaking"). However, portions of such Annual Reports were filed with the Municipal Securities Rulemaking Board (the "MSRB") with respect to the City's bonds. The City

has since corrected this oversight by linking the required Annual Reports to the JCMUA Undertaking. The City has implemented certain procedures to file its Annual Reports on a more consistent and timely basis in future years. The City's implementation of procedures to file its Annual Reports also includes the continued utilization of Digital Assurance Certification, LLC (DAC) to assist with the City's disclosure requirements.

### **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes of the City, including the Notes, and such Notes are authorized security for any and all public deposits.

### **MUNICIPAL ADVISOR**

NW Financial Group, LLC, Hoboken, New Jersey has served as Municipal Advisor to the City with respect to the issuance of the Notes (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **UNDERWRITING**

The Tax-Exempt Notes are being purchased by \_\_\_\_\_ (the "Tax-Exempt Notes Underwriter") at an aggregate price of \$ \_\_\_\_\_. The Tax-Exempt Notes are being reoffered to the public at a price of \$ \_\_\_\_\_. The Tax-Exempt Notes Underwriter is obligated to purchase all of the Tax-Exempt Notes if any Tax-Exempt Notes are purchased.

The Taxable Notes are being purchased by \_\_\_\_\_ (the "Taxable Notes Underwriter", and together with the Tax-Exempt Underwriter, the "Underwriters"), at an aggregate price of \$ \_\_\_\_\_. The Taxable Notes are being reoffered to the public at a price of \$ \_\_\_\_\_. The Taxable Notes Underwriter is obligated to purchase all of the Taxable Notes if any Taxable Notes are purchased.

The initial public offering yields of the Notes set forth on the cover and the inside cover page may be changed without notice by the Underwriters. The Underwriters may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at yields higher than the offering yields set forth on the inside cover page hereof.

### **RATING**

The City has requested that the Notes be rated by and has furnished information to Moody's Investors Service, Inc. ("Moody's") including information that may not be included in this Official Statement. Moody's has assigned a rating of "\_\_\_\_\_" to the Notes.

An explanation of the significance of such rating may be obtained only from Moody's. The rating reflects only the views of Moody's. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the particular rating agency. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be lowered or withdrawn entirely, if in the judgment of Moody's, circumstances so warrant. Such action, any downward change in, or withdrawal of such rating, may have an adverse effect on the market price of the Notes. The City has not

undertaken any responsibility after the issuance of the Notes to assure maintenance of the rating or to oppose any such revision or withdrawal.

### **CLOSING CERTIFICATES**

Upon the delivery of the Notes, the Underwriters will be furnished with the following items: (i) Certificate executed by the Business Administrator and the Chief Financial Officer of the City (or officers otherwise titled serving in equivalent capacities) to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Notes, as applicable, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the City since the date of this Official Statement to the date of issuance of the Notes, as appropriate, and having attached thereto a copy of this Official Statement, (ii) Certificate signed by an officer of the City evidencing payment for the Notes, (iii) Certificate signed by the Mayor, Business Administrator, Chief Financial Officer and City Clerk evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Notes, or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes thereunder, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded, and (iv) the Continuing Disclosure Certificate executed by the Chief Financial Officer.

### **PREPARATION OF OFFICIAL STATEMENT**

The firm of Donohue, Gironda, Doria & Tomkins, LLC, Bayonne, New Jersey, Certified Public Accountants and Registered Municipal Accountants, assisted in the preparation of information contained in this Official Statement, and takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report.

All information has been obtained from sources which Donohue, Gironda, Doria & Tomkins, LLC, considers to be reliable but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

NW Financial Group, LLC has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

GluckWalrath LLP has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

### **FINANCIAL STATEMENTS**

The comparative balance sheets – regulatory basis of the various funds of the City as of and for the years ended December 31, 2017 and 2016, and the related comparative statement of operations and changes in fund balance – regulatory basis, statement of revenues – regulatory basis and statement of appropriations – regulatory basis, of the Current Fund, and the related statement of changes in Fund Balance – regulatory basis, of the General Capital Fund, for the years then ended, together with the related Notes to the Financial Statements for the years then ended, are presented in Appendix B to the Official Statement. The financial statements referred to above have been audited by Donohue, Gironda, Doria & Tomkins, LLC, Bayonne, New Jersey, independent auditor, as stated in its report appearing in Appendix B.

Also included in Appendix B are unaudited balance sheets – regulatory basis of the various funds of the City as of December 31, 2018 and the related unaudited statement of operations and changes in fund balance – regulatory basis for the year ended December 31, 2018, without accompanying note disclosures. The unaudited financial statements referred to above have been abstracted from the annual financial statement (unaudited) of the City for the year ended December 31, 2018, as stated in the accountant’s compilation report prepared by Donohue, Gironda, Doria & Tomkins, LLC, Bayonne, New Jersey, independent auditor.

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Elizabeth Castillo, Acting Chief Financial Officer, City of Jersey City, 280 Grove Street, Jersey City, New Jersey 07302, (201) 547-5042.

#### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the City since the date thereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

This Official Statement has been duly approved, executed and delivered by the City.

#### **THE CITY OF JERSEY CITY**

By: \_\_\_\_\_  
Brian Platt, Business Administrator

By: \_\_\_\_\_  
Elizabeth Castillo, Acting Chief Financial Officer

Dated: \_\_\_\_\_, 2019

**APPENDIX A**  
**CERTAIN INFORMATION REGARDING THE CITY OF JERSEY CITY**

## THE CITY OF JERSEY CITY

The legislative power of the City of Jersey City (the "City") is vested in the Municipal Council (the "Council"), which is composed of nine members, six of whom are elected from the City's six wards and three of whom are elected at large. The Council meets regularly and operates in accordance with the Optional Municipal Form of Government, Section 40:69A-1 *et seq.*, of the New Jersey statutes. The Council members serve four-year terms beginning on the first day of January following their election. Their current term commenced on January 1, 2018. The members of the Council, their titles and the date they first took (or will take) office are shown on the following table:

MUNICIPAL COUNCIL		
<u>Name</u>	<u>Title</u>	<u>Date First In Office</u>
Rolando R. Lavarro	Council President	November 14, 2011
Daniel Rivera	Councilman-at-Large	July 1, 2013
Joyce Waterman	Councilwoman-at-Large	July 1, 2013
Denise Ridley	Ward A Councilwoman	January 1, 2018
Mira Prinz-Avery	Ward B Councilwoman	January 1, 2018
Richard Boggiano	Ward C Councilman	July 1, 2013
Michael Yun	Ward D Councilman	July 1, 2013
James Solomon	Ward E Councilman	January 1, 2018
Jermaine Robinson	Ward F Councilwoman	January 21, 2017

The executive power of the City is exercised by the Mayor, who is responsible for administering the charter and ordinances and general laws of the City. The Mayor is responsible for preparing and administering the City's annual expense and capital budgets. The Mayor supervises all of the departments in the City and reports annually to the Council and the public the results of the previous year's operations. The Mayor has the power to approve ordinances adopted by the Council or to return them to the Council with a statement of his objections. A vote by two-thirds of the members of the Council may override the Mayor's veto. The Mayor may attend meetings of the Council and may take part in discussions. The Mayor has no vote in the proceedings of the Council except to fill a vacancy in the Council, in which case he may cast the deciding vote. The Mayor appoints the Business Administrator and the Directors of nine City departments with the advice and consent of the Council. In the event that the Mayor is unable to fulfill his responsibilities under the applicable provisions of the New Jersey Statutes and the Jersey City Charter, the Council is required to appoint a Mayor to serve until the next election. There are no term limits for the office of Mayor or for any Council member.

### Administration

Following are biographical sketches of the City officials with responsibility for financial management:

#### STEVEN M. FULOP, Mayor

Steven Michael Fulop, a democrat, is the 49th and current Mayor of Jersey City, New Jersey. He is the youngest mayor in the country of a city with a population larger than 250,000. Mayor Fulop was elected Mayor on May 14, 2013, defeating a three term incumbent mayor and the political establishment. Prior to serving as Mayor, Steven Fulop served as the Ward E Councilman of the City for eight years. Mayor Fulop was re-elected for a second four-year term on November 7, 2017.

A first generation American, Mayor Fulop grew up in an immigrant family in Edison, New Jersey. His father owned a delicatessen in Newark, where Mayor Fulop often worked. His mother, the daughter of Holocaust survivors, worked in an immigration services office helping others gain citizenship.

Mayor Fulop graduated from Binghamton University in 1999, and in 2006 completed both his Masters in Business Administration at the New York University Stern School of Business and his Masters in Public

Administration at Columbia University School of International and Public Affairs (SIPA). While attending Binghamton University, he spent time abroad studying at Oxford University in England.

Upon graduating from college, Mayor Fulop joined Goldman Sachs. After working in financial services for several years and seeing first hand the effects of the September 11 attacks, he decided to put his career at Goldman Sachs on hold and join the United States Marine Corps. Shortly after completion of Marine Corps boot camp on January 14, 2003, Mayor Fulop was deployed to Iraq, where he served as part of the 6th Engineer Support Battalion. He and his unit were recipients of numerous awards and recognition for service including the Overseas Service Ribbon, Meritorious Masts, and the Presidential Unit Citation.

Currently, Mayor Fulop is a trustee of the Liberty Science Center, and previously served on the Board of Directors for the Columbia University Alumni Association and the board for the Learning Community Charter School. He is an avid tri-athlete completing the 2012 NY Ironman Championship in less than 12 hours.

#### **BRIAN PLATT, Business Administrator**

Brian Platt was appointed Business Administrator on March 30, 2018. Prior to assuming this role, Brian was Jersey City's Chief Innovation Officer and helped form the City's first Office of Innovation in 2015. The office uses a data driven, collaborative approach to solve the City's most complex challenges.

Brian previously worked as an analyst for McKinsey & Company and as a kindergarten teacher with Teach For America. He completed his Masters in Public Administration at Columbia University in 2016 and was included on the 2017 "Traeger List" as one of the top 100 local government leaders in the United States.

#### **PETER J. BAKER, ESQ., Corporation Counsel**

Peter J. Baker was formally appointed Corporation Counsel for the City of Jersey City on April 16, 2018. Mr. Baker heads the Department of Law, which represents the City in all legal matters and advises the Mayor and City Council on policy initiatives.

Mr. Baker is a 2000 graduate of Franklin & Marshall College, where he received a Bachelor of Arts degree in English. He received his Juris Doctor degree from Temple University's Beasley School of Law in Philadelphia in 2006. While attending Temple Law, Mr. Baker received the Law Faculty Scholarship, worked as an instructor and teaching assistant in the school's Trial Advocacy program.

Upon graduating law school, Mr. Baker served as law clerk to the Honorable Lois Lipton, J.S.C., in the Superior Court of New Jersey, Bergen Vicinage, Criminal Division. After completing his clerkship, he joined the law firm of Sisselman & Schwartz, LLC, in Roseland, New Jersey, where he worked as a civil litigator. In 2013, he joined the Hudson County Prosecutor's Office as an Assistant Prosecutor until 2016, when he joined New Jersey's Office of the Attorney General, Division of Criminal Justice, as a Deputy Attorney General in the Public Corruption Bureau.

#### **ANNISIA CIALONE, Director of Housing, Economic Development and Commerce**

Annisia R. Cialone, PP, AICP, LEED AP, joined the City administration in February of 2017 as the Director of City Planning. She currently represents the City as a member of the New Jersey State League of Municipalities' Land Use Sub-Committee. Prior to joining public service, Annisia practiced urban design and planning with an expertise in the management and design of large-scale urban design and strategic master planning projects for both public and private clients. She holds a Bachelor of Architecture (B. Arch) from The Cooper Union for the Advancement of Science and Art and a Master of Architecture in Urban Design (MAUD) from Harvard University's Graduate School of Design. Ms. Cialone was appointed Director of Housing, Economic Development, and Commerce on August 10, 2018.

## **ELIZABETH CASTILLO, CMFO, Acting Chief Financial Officer**

Elizabeth Castillo was appointed Acting Chief Financial Officer for the City of Jersey City effective February 1, 2019.

Ms. Castillo graduated with a Bachelor's Degree in Business Administration, Major in Accounting from Baruch College in 1998. She started employment with the City in June of 2003 and worked in various positions, including Grants Management, Budget Process and assisting the Chief Financial Officer. She acquired her CMFO license in December 2016.

Prior to joining public service, Ms. Castillo worked as a budget analyst for Ernst & Young and with Holtzbrinck Publishing Group as an Accountant.

### **City Employees**

As of December 31, 2018, the City had 2,974 employees. The following table shows a breakdown of the City's employees over the past five years:

#### **CITY EMPLOYEES**

	<u>Permanent</u>	<u>Temporary</u>	<u>Grants/ Enterprise Fund</u>	<u>Water Utility</u>	<u>Total<sup>(1)</sup></u>
December 31, 2018	2,827	67	76	4	2,974
December 31, 2017	2,835	71	109	6	3,021
December 31, 2016	2,793	90	36	4	2,923
December 31, 2015	2,581	76	67	5	2,729
December 31, 2014	2,392	70	34	6	2,502

<sup>(1)</sup> Total does not include Seasonal Employees

Approximately 2,256 of the City's employees are represented by one of 9 different bargaining units. The New Jersey Public Employee Relations Act, as amended, specifies a negotiation and advisory fact finding process (civilian unions) or interest arbitration (uniformed service unions) in the event of a negotiations impasse. The major public employee unions of the City are set forth below with a description of each:

**LOCAL 1064** represent approximately one hundred fifty six (156) fire officers in the rank of Captain, Battalion Chief and Deputy Chief. A new four (4) year collective bargaining agreement was reached for the period January 1, 2017 to December 31, 2020. The basic financial terms were as follows: January 1, 2017 – 1.5%, January 1, 2018 – 1.5%, January 1, 2019, 1.5%, January 1, 2020 – 1.95%.

**LOCAL 1066** represent approximately four hundred and two (402) fire fighters. A new collective bargaining agreement was reached. The basic financial terms were January 1, 2016 – 1.95%, January 1, 2017 – 1.5%, April 1, 2018 – 1.5%; June 1, 2019 – 1.5%..

**THE POLICE SUPERIOR OFFICERS' ASSOCIATION** represents approximately one hundred forty seven (147) Superior Officers in the rank of Sergeant, Lieutenant, Captain and Inspector. A new four (4) year collective bargaining agreement was reached for the period January 1, 2017 to December 31, 2020. The basic financial terms were as follows: January 2017 – 1.5%, January 2018 – 1.5%; January 2019 - 1.5%, January 2020 – 1.1%.

**THE POLICE OFFICERS' BENEVOLENT ASSOCIATION** represents approximately seven hundred and forty-one (741) Police Officers and Detectives below the rank of Sergeant. A new four (4) year collective bargaining agreement was awarded based on an Interest Arbitration award for the period of January 1, 2017 to December 31, 2020. The basic financial terms were as follows (There were no across the board salary increases provided, except as noted herein): January 2017 – all eligible step and longevity



increases to be paid; January 2018 – no salary step movement or longevity increases. Officers at top step receive a \$750 increase as added to the top step; January 2019 – all officers eligible for step increases move one step on the salary schedule and all longevity increases shall be paid; January 2020 – No salary step movement or longevity increases. Officers at top step receive a \$850 as added to the top step. The contract also included flat amounts for longevity pay (in lieu of percentage of salary) for new hires for 1/1/17. There were also significant reductions in benefit/comp time and sick leave for additional cost savings. Although the full board of PERC affirmed the arbitrator's decision in this matter, the POBA has appealed this matter to the Appellate Division, where it is still currently pending.

**JERSEY CITY SCHOOL TRAFFIC GUARDS ASSOCIATION** represented all regularly employed non-supervisory school traffic guards. The members of this bargaining unit are now represented by Jersey City Public Employees, Local 245 as per a PERC decision dated 7/30/18.

**JERSEY CITY SUPERVISORS' ASSOCIATION** represents approximately eighty-five (85) civilian Supervisors holding titles above the rank of "foreman", but below the level of Division Head. A four year contract was ratified by the City Council in 2015. The agreement calls for the following salary increases: effective January 2015 - \$1125, January 2016 - \$1400, January 2017 - \$1800, January 2018 - \$1850.

**JERSEY CITY PUBLIC EMPLOYEES, LOCAL 245**, represents approximately one hundred thirty seven (137) foremen and their subordinates, in the Department of Public Works and the Department of Recreation. Also, approximately two hundred (200) non-supervisory school traffic guards. A four year contract was ratified by the City Council in 2015. The agreement calls for the following salary increases: effective January 2015 - \$1125, January 2016 - \$1125, January 2017 - \$1400 and January 2018 - \$1500.

**LOCAL 641 (TEAMSTERS)**, this union joined the City on April 1, 2016, under a prior agreement with the Jersey City Incinerator Authority ("JCIA"). They represent employees under designated titles within the Department of Public Works. Currently, they represent 68 active employees. Their most recent contract 4/1/2016 to 12/31/2018 yields 2016 (.50 increase on hourly rate negotiated by former JCIA); 2017 \$0.00; 2018 \$0.00.

**JERSEY CITY PUBLIC EMPLOYEES, LOCAL 246**, represents approximately four hundred eighty (480) employees who are subordinate to Supervisors in the Mayor's Office, the Department of Administration, the Department of Human Resources, the Department of Law, the Department of Health and Human Services, and the Department of Housing, Economic Development and Commerce, the Office of the City Clerk, the Office of the Tax Assessor, and the Department of Public Safety (non-uniformed). A four year deal has been agreed to as follows: January 2015 - \$1125, January 2016 - \$1125, January 2017 - \$1400 and January 2018 - \$1500.

**INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 68-68A-68B, AFL-CIO** represents four (4) employees holding titles of boiler operators or chief engineer. A new four year contract was ratified by the City Council in May 2018. The agreement calls for the following salary increases: effective January 1, 2016 - \$1,450; January 1, 2017 - \$1,450; January 1, 2018 - \$1,800; January 1, 2019 - \$1,850. Several changes were also made to health benefits to align with other union contract changes which will result in further cost savings to the City.

### **The Jersey City Public Schools**

The public school system of the City, the second largest school district in the State, served a total enrollment of approximately 29,589 students for school fiscal year 2018-19. The system employs professional and non-professional personnel, including teacher's aides. The student population is provided with a comprehensive school program including college preparatory programs, vocational training and special education classes housed in regular elementary and secondary schools. In school fiscal year 2018-19, the school district has 4,474 full-time employees. The school system currently includes fourteen elementary schools (Pre-K – 5), thirteen grammar schools (Pre-K – 8), four middle schools (6 – 8), six high schools (9 – 12), one secondary school (6 – 12), one alternative program (serving grades 6 – 12) and three early childhood centers.

Since October 1989, the school system has been operated by the State of New Jersey pursuant to the New Jersey Public School Education Act of 1975, as amended, N.J.S.A. 18A:7A-1 *et seq.* The Commissioner of Education appointed a State Superintendent to manage the district.

The State-operated school district enabling legislation, N.J.S.A. 18A:7A-34 *et seq.*, makes provision for the City to provide moneys to the State-operated school district for the payment of operating expenditures. Chapter 139 of the Pamphlet Laws of 1991 provided a mechanism similar to the pre-existing one for the authorization and issuance of school promissory notes and school serial bonds by the City secured by the power and authority of the City to levy ad valorem real property taxes. The Capital Project Control Board of the City's Public Schools has the authority to review and recommend the necessity for capital projects proposed by the Superintendent. Following the adoption of a resolution by the Capital Project Control Board, the Municipal Council of the City shall consider a School bond ordinance. The State, by the takeover of the school system in the City, has not affected, modified or impaired the authority or the obligation of the City for the levy and collection of sufficient real property taxes to pay the interest and principal on outstanding school debt.

### **Related Authorities and Functions**

Sewer services are provided to the City through the Jersey City Municipal Utilities Authority (the "JCMUA") and solid waste disposal is provided by the JCIA. On December 10, 1997, the Jersey City Sewerage Authority was reorganized to form the JCMUA. On January 15, 1998, the City and the JCMUA executed a Franchise and Service Agreement pursuant to which the JCMUA assumed operation of the City's Water Utility until January 31, 2008. In May 2003, the City and the JCMUA executed an amended and restated franchise and service agreement pursuant to which the JCMUA's obligations to operate the City's Water Utility was extended through March 31, 2028. See "Jersey City Municipal Utilities Authority" and "The Jersey City Incinerator Authority" under "CITY INDEBTEDNESS AND DEBT LIMITS –Other City-Related Obligations" herein.

### **City Budget Requirements - General**

State law imposes specific budgetary procedures upon local government units such as the City. Pursuant to the Local Budget Law, the City is required to have an operating budget, which provides for sufficient cash collections to pay all debt service and operating costs during the fiscal year and, in addition, provide for any statutory and mandatory payments, such as pension and insurance costs, required to be made during the fiscal year.

The City's operating budget must be in the form required by the Division of Local Government Services in the Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are statutorily regulated and must be certified by the Director of the Division (the "Director") prior to final adoption of the budget by the Council. The Director is required to review the adequacy of such appropriations for certification. The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review, which focuses on anticipated revenues, is intended to insure revenues are sufficient to pay expenses.

The Business Administrator and Budget Director prepare the Municipal Budget of the City for the Mayor. During the month of November, all department heads are required to submit requests for appropriations for the next budget year and appear before the Business Administrator, the Budget Director and the Council at public hearings to explain their departmental requests. The Mayor then submits his recommended budget to the Council. The Council may reduce any item or items in the budget by a majority vote but may increase any item or items only upon an affirmative vote of two-thirds of the members of the Council. After the budget is introduced, it may be approved on first reading by majority vote of the Council. After the Council approves the budget, it is submitted to the Director for approval and advertised. A public hearing is held. Upon completion of the public hearing, the budget is adopted by the Council and submitted to the Division for certification.

The City has transitioned from a State fiscal year to a calendar fiscal year. Under State law, the City is required to have a budget adopted by March 20, although the Director, with the approval of the Local Finance Board, may extend this date and the Municipal Council may adopt the budget within ten days after the Director shall have certified his approval thereof pursuant to N.J.S.A. 40A:4-5.1. For Calendar Year 2015, the budget was introduced on March 11, 2015 and adopted on July 28, 2015. For Calendar Year 2016, the budget was introduced

on February 24, 2016 and adopted on July 20, 2016. For Calendar Year 2017, the budget was introduced on March 22, 2017 and adopted on July 10, 2017. For Calendar Year 2018, the budget was introduced on March 14, 2018 and adopted on July 18, 2018. For Calendar Year 2019, the budget was introduced on March 27, 2019.

Prior to formal budget adoption, the City uses a temporary operating budget to guide expenditures. Temporary appropriations may be made pursuant to N.J.S.A. 40A:4-19.1 and, in addition, emergency temporary appropriations may be made pursuant to N.J.S.A. 40A:4-20. The City's budget for the first quarter of its calendar year (January 1 through March 31) is equal to one-fourth of the annual budget for the preceding calendar year. If a budget for a calendar year is not adopted by March 31, the City establishes periodic temporary budgets.

The monitoring of the budget is a continuous process, and encompasses financial controls in the areas of encumbrance of obligations and public contracts law. Under State law, expenditures cannot be made unless there is a certification as to availability of funds from the operating or capital budget. The budget is utilized throughout the operating year as a management tool and policy instrument representing the City's plan of action for the provision of services. Expenditures are monitored throughout the year and, two months before the end of the fiscal year, the budget may be amended to transfer expenditures from one line item to another. Emergency appropriations may be made to the extent revenues are insufficient to pay expenditures, with the amounts so appropriated raised in the succeeding fiscal year.

No local unit in New Jersey is permitted to issue long-term bonds for the payment of current expenses or to pay outstanding obligations (except for the refunding or repayment of successful real property tax appeals and certain statutorily authorized non-recurring expenses, which requires the approval of the Local Finance Board). Like other New Jersey municipalities, the City makes a major portion of its expenditures early in each year while receipts are heaviest late in the year. The City has managed this cash flow imbalance through temporary transfers from its capital and grant accounts, and restoring these funds by year end with the tax and State aid revenues received. A local unit may issue tax anticipation notes for the payment of current expenses under the Local Budget Law. The City has not issued tax anticipation notes since April 1991.

### **Public School Budgeting Process**

Under the provisions of the New Jersey Public Education Act of 1975, as amended, the Superintendent of a State-operated school district, after preparation of and hearing on a proposed budget, is required to fix and determine the amount of money necessary to be appropriated for the school year and is required to certify the amounts to be raised by taxes. The City may appeal to the Commissioner of Education the amount determined necessary. The Commissioner, upon receipt of such appeal and completion of the hearing process, shall determine the amount necessary for the district to provide a thorough and efficient educational program including the implementation of the plan to correct deficiencies. The City may apply to the Director of the Division for a determination that the local share of revenues needed to support the district's budget results in an unreasonable tax burden. Based upon this review, the Director certifies the amount of revenues, which can be raised locally to support the budget of the State-operated district. Any difference between the amount which the Director certifies and the total amount of local revenues required by the budget approved by the Commissioner is paid by the State in the fiscal year in which the expenditures are made, subject to the availability of appropriations. The State supplemented the City's school tax revenues with \$20,000,000 for the Fiscal Year 1999. Since Fiscal Year 2000, the State has not supplemented the City's school tax revenues.

### **Limitation on Expenditures**

Section 40A:4-45.3 of the Local Budget Law, commonly known as the "Cap Law," as enacted provided that a municipality shall limit any increase in its operating budget to five percent or the calculated Index Rate, whichever is less, over the previous year's final appropriations, subject to certain exceptions. The Local Finance Board has the authority, under Section 40A:4-45.3 of the Local Budget Law, to grant additional exceptions to the Cap Law under certain circumstances. The Index Rate is defined as the annual percentage increase in the Implicit Price Deflator for State and Local Government Purchasers of Goods and Services produced by the United States Department of Commerce as announced by the Director. Municipalities may elect, upon adoption of an ordinance, to approve an increase in appropriations that is greater than the Index Rate, not to exceed five percent, when the Index Rate is less than five percent. Major exceptions not subject to the spending limitation include: capital

expenditures and debt service; State and Federal appropriations; expenditures mandated as a consequence of certain public emergencies; certain expenditures mandated by law; cash deficits of the preceding year approved by the Local Finance Board; amounts required to be paid pursuant to any contract with respect to use, services or provision of any project, facility or public improvement for water, sewer, solid waste, parking, senior citizen housing or similar purpose, or payments on account of debt service therefor or lease payments as made with respect to a facility owned by a county improvement authority where such lease payments are a necessity to amortize debt of the authority; amounts expended to meet the standards established by the New Jersey Public Employees' Occupational Safety and Health Act; amounts appropriated for expenditures resulting from impact of a hazardous waste facility; any expenditure mandated as a result of a natural disaster, civil disturbance or other emergency that is specifically authorized pursuant to a declaration of an emergency by the President of the United States or by the Governor; expenditures for the cost of services mandated by any order of court, statute or administrative rule issued by a State agency which has identified such cost as mandated expenditures on certification to the Local Finance Board by the State agency; and amounts reserved for uncollected taxes. The "Cap Law" does not limit the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service.

On June 21, 2004, the Legislature enacted amendments to the "Cap Law", under which municipalities are required to limit any increase in its operating budget to 2.5% or the "cost-of-living adjustment" (formerly known as the "Index Rate"), whichever is less, over the previous year's final appropriations, subject to certain exceptions. Municipalities are permitted to elect, upon adoption of an ordinance, to approve an increase in appropriations that is greater than the cost-of-living adjustment, not to exceed 3.5%, when the cost-of-living adjustment is less than or equal to 2.5%. However, the amendment eliminates the existing option to exceed the current 5% increase, but not to exceed the Index Rate, when the Index Rate is greater than 5%. The amendment also eliminates certain of the exceptions to the spending limitation, including: amounts expended to meet the standards established by the New Jersey Public Employees' Occupational Safety and Health Act; amounts appropriated for expenditures resulting from the impact of a hazardous waste facility; amounts appropriated for the cost of administering a joint insurance fund; amounts appropriated for the cost of implementing an estimated tax billing system and the issuance of tax bills thereunder; and amounts expended to pay the salaries of police officers hired under the federal "Community Oriented Policing Services" program. The amendment also requires Local Finance Board approval to utilize existing exceptions for: expenditures of amounts actually realized in the local budget year from the sale of municipal assets; and expenditures related to the cost of conducting and implementing a total property tax levy sale. The exception for amounts expended for the staffing and operation of the municipal court was replaced with an exception for newly authorized operating appropriations for the municipal court or violations bureau when approved by the vicinage Presiding Judge of the Municipal Court after consultation with the mayor and governing body of the municipality.

The "Cap Law" is subject to frequent amendment by the Legislature. See "CITY REVENUES - Property Tax Reform" below.

Additionally, legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote in excess of 50%.

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the City to levy ad valorem taxes upon all taxable property within the boundaries of the City to pay debt service on bonds and notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures, which the local unit may contemplate over the next

six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

### **Anticipation of Real Estate Taxes**

With regard to current taxes, Section 40A:4-41 of the Local Budget Law provides that "receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision requires that the City establish a non-spending appropriation reserve for uncollected taxes in the current year as a percentage of the current levy equal to the percent uncollected of the prior year's levy. This additional amount must be added to the tax levy required in order to balance the budget.

Section 40A:4-29 of the Local Budget Law sets limits on the anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

The City school district and the County receive 100% of their tax levies, which are collected and paid to them by the City. As a result of the structure of the State's system of taxation, the City, along with other similarly situated municipalities, bears the full burden of the uncollected taxes.

### **Anticipation of Miscellaneous Revenues**

Section 40A:4-26 of the Local Budget Law provides: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

### **Deferral of Current Expenses**

Supplemental emergency appropriations may be authorized by the governing body of the City after the adoption of the budget and determination of the tax rate. However, with minor exceptions, such appropriations must be included in full in the following year's budget. Under Sections 40A:4-48 and 40A:4-49 of the Local Budget Law, any emergency appropriation must be declared by resolution according to the definition provided in Section 40A:4-46 of the Local Budget Law, approved by at least two-thirds of the governing body and must also be approved by the Director if all emergency appropriations made during the year exceeds 3% of the total current and utility operating appropriations in the budget for that year.

### **Protection of Municipal Funds and Investment Policy**

The City complies with the State statutory and regulatory requirements for the deposit and investment of public monies. The City on a daily basis deposits cash receipts in institutions located in New Jersey which are approved by the State and are insured by the Federal Deposit Insurance Corporation or by other agencies of the United States (although the amount of the City's deposit may exceed the insurance coverage limits) or in the State of New Jersey Cash Management Fund. The Cash Management Fund, which was established in 1977, is a short-term investment pool for the State and its cities, towns and school districts. The investments held by the Cash Management Fund must have average maturities not exceeding one year. The types of investments are regulated by the State Investment Council. The regulations allow investment in repurchase agreements with the purchased securities held by a custodian. The regulations also permit reverse repurchase agreements; however, the proceeds are invested in the Cash Management Fund.

In addition to making deposits with the above described financial institutions, pursuant to N.J.S.A.40A:5-15.1, the City is permitted to purchase the following types of securities as investments:

- 1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America (Treasury Bills, notes and bonds).
- 2) U.S. Government money market funds.
- 3) Any obligation that a Federal agency or a Federal instrumentality has issued in accordance with an Act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependable on any index or other external factor.
- 4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.
- 5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by The Department of Treasury, Division of Investments.
- 6) Local government investment pools, such as New Jersey Class, and the New Jersey Arbitrage Rebate Management Program.
- 7) Deposits with the State of New Jersey Cash Management Fund.
- 8) Repurchase agreements of fully collateralized securities, if:
  - a) The underlying securities are permitted investments pursuant to N.J.S.A. 40A: 5-15.1;
  - b) The custody of the collateral is transferred to a third party;
  - c) The maturity of the agreement is not more than 30 days;
  - d) The underlying securities are purchased through banks approved by the Department of Banking and Insurance under the Government Unit Depository Projection Act. ("GUDPA").
  - e) A master repurchase agreement providing for the custody and security of the collateral is executed.

Compliance with the State statutes may not assure that the City's investments will have the liquidity, security or adequate deposit insurance to protect the City against all losses. For example, the relevant deposit statute, N.J.S.A.17:9-44, only requires public depository banks to maintain collateral for deposits of public funds exceeding insurance limits (\$100,000) generally equal to five percent of the average daily balance of public funds. Additionally, the State has the power to require that all banks holding public funds contribute amounts sufficient to reimburse an eligible municipality if any bank holding public funds becomes insolvent. However, it is unclear how quickly other state-qualified depositories could act to reimburse an exposed municipality through the State supervised program which may result in limited liquidity and a shortage of cash for the City and other municipalities in the State. Furthermore, it is currently unclear whether the State of New Jersey Cash Management Fund could maintain sufficient liquidity during a period of economic stress if many municipalities including the City sought the immediate return of cash.

#### **CITY INDEBTEDNESS AND DEBT LIMITS**

State law regulates the issuance of debt by local government units. No local unit is permitted to issue bonds for the payment of current expenses or to pay outstanding obligations, except for, among certain other limited purposes, refunding purposes with the approval of the Local Finance Board. Like other New Jersey municipalities, the City makes a major portion of expenditures early in each year while receipts are heaviest late in the year. Historically, the City has managed this cash flow imbalance through temporary transfers from its capital and grant accounts and restores these funds with the tax and State aid revenues received by year-end. The City also has options, which it may exercise to reduce, defer or fund appropriations remaining at the end of a fiscal year for which

insufficient cash is available. The Local Budget Law empowers the City to issue, but limits the amount of, tax anticipation notes ("TANs") that may be issued and requires the repayment of such notes within four months of the end of the fiscal year in which issued. The City has not issued TANs since April 1, 1991.

#### **Debt Limits**

State statutes set forth debt limits for counties and municipalities. The City's net debt is limited by the Local Bond Law to an amount equal to 3.50% of its average equalized valuation basis. The average equalized valuation basis of the City is set by statute as the average for the last three preceding years of the sum total of (a) the aggregate equalized valuation of real property together with improvements and (b) the assessed valuation of Class II railroad property within its boundaries as annually determined by the State Board of Taxation. See "CITY REVENUES – Equalization Rate and Tax Collection Rates" herein for a discussion of the City's assessed valuations. The debt limit pursuant to Title 18A of the New Jersey Statutes for the City school district, a Type I district of the first class, is 8% of such average valuation basis. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit. Pursuant to law, the City has deducted the amount of authorized school debt.

#### **Exception to Debt Limit - Extensions of Credit**

The debt limit of the City may be exceeded only with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. An extension of credit may be granted based on a formula tied to the annual retirement of principal or need to protect the health, welfare or safety of the residents in a municipality. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations. If the Local Finance Board determines pursuant to statute and regulation that a proposed debt authorization would materially impair the ability of the City to meet its obligations or to provide essential services, approval is denied.

In calendar years ending December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018, total debt as a percentage of the equalized value of the City was 2.59%, 2.26%, 2.04%, 1.655% and 2.028%, respectively.

State law permits the City school district acting through the Municipal Council to authorize debt in excess of its individual debt limit. It does so by using the borrowing capacity of the City for school purposes after the school debt margin has been exhausted. The Local Finance Board is involved only if the proposed debt authorization exceeds the debt limit of both the City and the City school district.

#### **Exception to Debt Limit - Real Property Tax Appeal Refunding Notes**

The City revalued the real property located in the City in 1988. See "CITY REVENUES -- Equalization Rate and Tax Collection Rates". After the revaluation, the number of tax appeals increased substantially. In order to file a tax appeal, a property owner must first pay the taxes that are owed. If the appeal is successful, the taxes are then refunded to the owner. The refund may occur in a fiscal year subsequent to the fiscal year in which the owner paid the taxes. Because of the magnitude of the tax appeals and the amount that was required to be refunded, the Local Finance Board and the Municipal Council have allowed the City to issue tax refunding obligations to finance the tax refunds. The tax refunding obligations issued to date are one-year notes, renewable annually for five to seven years after their date of issuance, with the amortization schedule approved by the Local Finance Board. As of December 31, 2015, \$2,738,740 principal amount of real property tax appeal refunding notes were outstanding. As of December 31, 2016 principal amount was fully paid and none were outstanding.

#### **Debt Statements**

The City must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization. Before the end of the first month of each fiscal year, the City must file an Annual Debt Statement as of the last day of the preceding fiscal year with the Division. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

In calculating the debt limit, the City is allowed to deduct certain types of debt. Deductions from gross debt are allowed for school purposes of an amount equal to 8% of average equalized valuations and for any additional State School Building Aid Bonds authorized (P.L. 1968, c. 177, as amended P.L. 1971, c. 10, as amended and P.L. 1978, c. 74). The deduction from municipal gross debt includes bonds issued and bonds authorized but not issued to meet cash grants-in-aid for a housing authority, redevelopment agency or municipality acting as its local redevelopment entity (Section 40A:12A-37(d) of the Local Redevelopment and Housing Law) and funds in hand (including proceeds of bonds held to pay other bonds).

The following table sets forth the amount of debt that the City has outstanding, authorized but not yet issued as well as deductions for each purpose (school, municipal and water) and the amount of debt that the City has authorized for each purpose but has not yet incurred. In addition, the table sets forth the amount of debt that has been issued by public bodies but that the City is or may be responsible for paying. See "Other City-Related Indebtedness". The table then sets forth the amount of the debt that, pursuant to State law, is excluded from the calculation of the debt limitations imposed on the City. Such deductions include debt for school purposes (a portion of which are subject to their own debt limitation), debt for the water utility because it operates on a self-liquidating basis, refunding debt, debt issued in anticipation of grants and bonds issued by public entities (even though the City may be responsible for all or a portion of the debt service on such debt). As shown in the table, although the City's gross debt as of December 31, 2018 was \$800,796,960, only \$595,100,974 of that debt is included for purposes of calculating the debt limitation on the City.

The table also shows the statutory net debt as a percentage of the average equalized value of property in the City (the average calculated for the past three years). See "CITY REVENUES - Real Estate Tax" herein. In addition to the debt detailed on this table, since 1990 the City has issued real property tax appeal refunding notes in each year. Prior to February 3, 2003, such real property tax appeal refunding notes were not included in the City's debt statements. After that date, newly authorized real property tax appeal refunding notes are included in gross debt, but are deducted in calculating net debt. See "Exception to Debt Limit - Real Property Tax Appeal Refunding Notes" herein.



**Annual Debt Statement  
As of December 31, 2018**

Gross Debt:

School Purposes:

Issued and Outstanding:

Bonds .....	\$15,930,000	
Authorized But Not Issued .....	1,587,258	
Total School .....		\$17,517,258

Municipal Purposes:

Issued and Outstanding:

Bonds .....	384,879,000	
Notes .....	81,033,098	
Green Trust Loan .....	846,989	
Authorized But Not Issued .....	176,326,887	
Total Municipal .....		643,085,974

Issued by Public Bodies Guaranteed by the Municipality:

Jersey City Municipal Utilities Authority .....	<u>140,193,728</u>
Total Gross Debt .....	\$800,796,960

Statutory Deductions:

For School Purposes - Statutory 8% .....	17,517,258	
For Jersey City Municipal Utilities Authority - Water .....	16,550,000	
For ERI Pension Refunding .....	31,435,000	
For Bonds Issued by Public Bodies Guaranteed by the Municipality .....	140,193,728	
Total Statutory Deductions .....		<u>205,695,896</u>
Statutory Net Debt .....		<u>\$595,100,974</u>
Statutory Net Debt Percentage .....		2.028%

Source: Derived from the Annual Debt Statement of the City for Calendar Year 2018

The following table summarizes the information included in the preceding table, and shows, among other things, the gross debt outstanding for each purpose, the amount of such debt allowed under State law to be excluded from the calculation of the debt limitation and the statutory net debt.

**Statutory Debt as of December 31, 2018**

	<u><b>Gross Debt</b></u>	<u><b>Deductions</b></u>	<u><b>Net Debt</b></u>
School Purposes	\$17,517,258	\$17,517,258	\$ -0-
Municipal Purposes	643,085,974	47,985,000	595,100,974
Other Public Bodies Guaranteed by City	<u>140,193,728</u>	<u>140,193,728</u>	<u>-0-</u>
Total	<u>\$800,796,960</u>	<u>\$205,695,986</u>	<u>\$595,100,974</u>
Average Equalized Valuation of Real Property (Yrs. 2016-2018)			\$29,344,551,903
Statutory Net Debt			2.028%
Debt Limitation Per N.J.S.A. 40A:2-6 (Municipalities – 3.50% of Three Year Average Equalized Valuation)			1,027,059,317
Total Net Debt			<u>595,100,947</u>
Remaining Net Debt Capacity			<u>\$431,958,343</u>

Source: Derived from the Annual Debt Statement of the City for Calendar Year 2018

The table below outlines the total debt of the City and sets forth the amount that the debt represents per capita for the last five years.

	<u><b>December 31, 2018</b></u>	<u><b>December 31, 2017</b></u>	<u><b>December 31, 2016</b></u>	<u><b>December 31, 2015</b></u>	<u><b>December 31, 2014</b></u>
Gross Debt <sup>(1)</sup>	\$800,796,960	\$650,331,188	\$749,388,145	\$775,072,007	\$844,917,507
Net Debt Statutory <sup>(2)</sup>	595,100,974	417,870,408	455,704,061	450,883,637	482,163,575
Population <sup>(3)</sup>	247,597	247,597	247,597	247,597	247,597
Gross Debt per Capita	3,234	2,628	3,027	3,130	3,412
Net Debt per Capita	2,404	1,688	1,841	1,821	1,947
Net Debt - Statutory Percentages	2.028%	1.655%	2.04%	2.26%	2.59%

<sup>(1)(2)</sup> The figures representing Gross Debt and Net Debt Statutory are derived from the Annual Debt Statements of the City.

<sup>(3)</sup> Source: U.S. Department of Commerce, Bureau of the Census.

The following table lists the total bonded debt of the City for the last five years.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Bonds:					
General	\$368,329,000	\$400,916,000	\$440,203,000	\$437,405,950	\$ 468,125,950
School	15,930,000	20,830,000	27,155,000	39,510,000	47,130,000
Water	16,550,000	21,150,000	25,590,000	28,645,000	31,130,000
Other	<u>140,193,728</u>	<u>152,246,522</u>	<u>199,455,227</u>	<u>199,163,381</u>	<u>208,862,507</u>
Total Outstanding Bonds	541,002,728	595,142,522	692,403,227	704,724,331	755,298,457
Notes:					
General	81,033,098	24,901,000	26,898,194	40,602,842	33,297,813
School	-0-	-0-	-0-	-0-	-0-
Water	-0-	-0-	-0-	-0-	-0-
Other (Loan)	<u>846,989</u>	<u>950,779</u>	<u>1,056,008</u>	<u>1,159,954</u>	<u>1,622,571</u>
Total Outstanding Notes	<u>81,880,087</u>	<u>25,851,779</u>	<u>27,954,202</u>	<u>41,762,796</u>	<u>34,920,384</u>
Total Bonds and Notes Issued and Outstanding	622,882,815	620,994,301	720,357,429	746,487,127	790,218,841
Bonds and Notes Authorized but Not Issued					
General	176,326,887	27,749,629	25,911,859	14,228,631	27,015,111
School	1,587,258	1,587,258	1,587,258	4,265,245	6,216,026
Water	-0-	-0-	1,531,599	10,091,004	21,467,528
Other	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Bonds and Notes Authorized But Not Issued	177,914,145	29,336,887	29,030,716	28,584,880	54,698,665
Total Issued and Outstanding, and Authorized But Not Issued	<u>\$800,796,960</u>	<u>\$650,331,188</u>	<u>\$749,388,145</u>	<u>\$775,072,007</u>	<u>\$844,917,506</u>

Source: Derived from the Annual Debt Statements of the City.

Included in the debt shown on this table are tax appeal refunding notes of the City outstanding for the 5 year period. The following table sets forth the amount of tax appeal refunding notes that were issued and outstanding in each of the four years preceding such date.

#### Real Property Tax Appeal Refunding Notes Outstanding

<u>Year</u>	<u>Amount Issued<sup>(1)</sup></u>	<u>Balance end of year</u>
December 31, 2018	-0-	-0-
December 31, 2017	-0-	-0-
December 31, 2016	-0-	-0-
December 31, 2015	-0-	2,738,740
December 31, 2014	-0-	6,917,870

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City.

<sup>(1)</sup> These amounts do not include tax appeal refunding notes issued to refund prior issues of tax refunding notes.

The table below sets forth the total overlapping debt of the City for the last five years. The County of Hudson (the "County") debt overlap was 37.19% in 2018, 35.55% in 2017, 34.28% in 2016, 33.84% in 2015, and 32.42% in 2014. The overlap for all other debt was 100%. The City's percentage of overlap for County debt is determined by the State based on (i) the assessed value of Class II Railroad Property in the City and (ii) the true value of real property in the City. The sum of these two figures is used to calculate a percentage of the sum of the assessed value of Class II Railroad Property in the County, plus the true value of real property in the County. Overlapping debt is debt for which the City is not required to levy taxes.

#### Schedule of Overlapping Debt <sup>(1)</sup>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Jersey City Municipal Utilities Authority <sup>(2)</sup>	\$ 140,193,728	\$ 152,246,522	\$ 199,455,227	\$ 199,163,381	\$ 208,862,507
Hudson County <sup>(3)</sup>	<u>341,593,880<sup>(4)</sup></u>	<u>309,294,655<sup>(5)</sup></u>	<u>337,512,996<sup>(6)</sup></u>	<u>420,990,123<sup>(7)</sup></u>	<u>352,730,118<sup>(8)</sup></u>
<b>TOTAL</b>	<u>\$ 481,787,608</u>	<u>\$ 461,541,177</u>	<u>\$ 536,968,223</u>	<u>\$ 620,153,504</u>	<u>\$ 561,592,625</u>

Source: Derived from the Annual Debt Statements of the County and City.

<sup>(1)</sup> The outstanding debt of the Hudson County Utilities Authority, the Rockaway Valley Regional Sewerage Authority and the Hudson County Improvement Authority are not included (see further discussion herein).

<sup>(2)</sup> The Jersey City Sewerage Authority was reorganized as the Jersey City Municipal Utilities Authority on January 15, 1998.

<sup>(3)</sup> Hudson County reports on a calendar year ending December 31.

<sup>(4)</sup> This figure represents 37.19% of the total County Gross Debt of \$ 919,458,061.

<sup>(5)</sup> This figure represents 35.55% of the total County Gross Debt of \$ 869,929,296.

<sup>(6)</sup> This figure represents 34.28% of the total County Gross Debt of \$ 984,703,577.

<sup>(7)</sup> This figure represents 33.84% of the total County Gross Debt of \$1,244,155,190.

<sup>(8)</sup> This figure represents 32.42% of the total County Gross Debt of \$1,088,024,659.

The table below lists the principal and interest repayment schedule on all outstanding bonds of the City from 2018 through 2040.

**Combined Principal and Interest Repayment Schedule  
Outstanding Bonds of the City  
As of December 31, 2018**

<b>CALENDAR</b>	<b>COMBINED</b>				
<u>YEAR</u>	<u>TOTAL</u>	<u>GENERAL</u>	<u>PENSION</u>	<u>WATER</u>	<u>SCHOOL</u>
2019	72,250,138	59,232,060	3,880,375	3,880,940	5,256,763
2020	75,881,905	65,037,992	4,021,257	3,953,011	2,869,646
2021	70,061,282	59,677,733	4,166,738	3,427,963	2,788,848
2022	44,325,585	36,797,267	4,354,641	1,985,527	1,188,150
2023	36,373,667	29,759,052	4,630,161	794,903	1,189,550
2024	29,178,044	23,117,391	4,077,966	798,238	1,184,450
2025	24,055,995	20,907,533	1,498,789	467,249	1,182,425
2026	22,046,805	18,790,583	1,608,334	465,085	1,182,800
2027	22,120,612	18,751,782	1,728,871	462,559	1,177,400
2028	15,688,446	13,364,895	1,859,306	464,245	-
2029	15,768,112	13,299,945	1,993,685	474,482	-
2030	10,450,837	7,845,147	2,136,052	469,638	-
2031	10,587,906	7,828,173	2,285,315	474,418	-
2032	10,704,019	7,790,327	2,445,246	468,446	-
2033	10,855,447	7,768,870	2,614,479	472,099	-
2034	7,395,998	7,395,998	-	-	-
2035	7,374,148	7,374,148	-	-	-
2036	7,269,154	7,269,154	-	-	-
2037	6,399,381	6,399,381	-	-	-
2038	6,381,631	6,381,631	-	-	-
2039	5,711,737	5,711,737	-	-	-
2040	5,678,962	5,678,962	-	-	-
<b>TOTAL</b>					
	<u>\$ 603,510,198</u>	<u>\$ 500,318,117</u>	<u>\$ 50,534,647</u>	<u>\$ 24,309,045</u>	<u>\$ 23,581,795</u>

In addition to the debt service requirements on outstanding bonds, the City also pays debt service on notes. Notes generally mature within one year from their date of issuance. Notes, other than tax appeal refunding notes, may be renewed three times without principal payments and must then be amortized over a ten-year period (unless refunded by bonds). The debt service payable on notes depends on the interest rate established upon the renewal of the notes. For Calendar Year 2014 the amount was \$5,634,563, for Calendar Year 2015 the amount was \$5,108,063, for Calendar Year 2016 the amount was \$6,928,999, for Calendar Year 2017 the amount was \$2,619,270 and for Calendar Year 2018 the City Budgeted \$2,879,291.

**Other City-Related Obligations**

**Rockaway Valley Regional Sewerage Authority.** In compliance with a court decree, the City entered into an agreement, dated July 30, 1971, with the Rockaway Valley Regional Sewerage Authority ("RVRSA"), whereby the City agreed to share in the operating costs of the RVRSA which provides sewerage treatment services in the vicinity of the City's watershed properties. In 2014 and 2015, the JCMUA contributed \$2,730,857. In 2016, 2017 and 2018, the JCMUA contributed \$3,429,757, \$2,858,130 and \$2,858,130, respectively.

Under the same agreement, the City is also required to pay a share of the capital and operating cost of construction of an advanced treatment sewerage facility, which the RVRSA has designed. Under the current plans,

the cost of construction is estimated to be \$60,000,000, less any federal funds, the amount of which is presently uncertain. Based upon the design capacity, the City will be responsible for 37 1/2% of the excess cost of financing construction over available federal funds. The amount of the City's contribution for the new facility is a portion of the City's share of the operating costs outlined in the immediately preceding paragraph. The RVRSA has permanently financed substantially all of the non-grant share of project costs with the sale of long-term tax-exempt bonds.

**Jersey City Incinerator Authority.** On October 14, 2015, the City adopted an ordinance dissolving the JCIA and assigning its powers to City departments. The JCIA was officially dissolved April 1, 2016. The City has merged all of the responsibilities of the JCIA, included but not limited to the collection and disposal of all residential and municipal solid waste for the City, mechanical and manual street sweeping, cleaning of City owned lots, roll-off container service, recycling, demolition, snow plowing, salting and snow removal into the City Department of Public Works without interruption of services. As the JCIA annual budget was approximately 95% funded by City appropriations, the dissolution has not had any material impact on the financial strength of the City.

**Jersey City Municipal Utilities Authority.** The JCMUA, formerly the Jersey City Sewerage Authority, is responsible for the construction and operation of two pumping stations, at which sewage collected from the City and portions of the City of Union City is pumped to the secondary sewage treatment plant of the Passaic Valley Sewerage Commissioners ("PVSC") at Newark, New Jersey. The JCMUA formerly operated primary sewage treatment plants at the sites of the pumping stations. The Passaic Valley Connection Project, consisting of the pumping stations and connecting sewer lines, was commenced in 1985 and completed in 1989, using certain federal and state grants and funds of the JCMUA, for which the JCMUA issued its bonds. The City of Bayonne and the Town of Kearny each, separately, sought and obtained permission to hook up their own sewage transmission lines to a portion of the JCMUA's lines, and have agreed to share the costs of the common portions used by them.

The indebtedness of the JCMUA as of December 31, 2018 was \$140,193,728. The JCMUA imposes user charges on all sewer users in its service area, at the rate of \$5.64 per 100 cubic feet of water consumption. The JCMUA imposes user charges on all water users in its service area, at the rate of \$4.14 per 100 cubic feet of water consumption. From its user charge revenues, the JCMUA is required to pay its debt service costs and operating costs of the pumping stations and collector system. The JCMUA also pays, from user charges, operating charges of PVSC which are the obligation of the City.

Pursuant to a Sewer Service Contract between the City and the JCMUA, dated as of December 1, 1985 (the "Sewer Service Agreement"), the City is obligated to pay to the JCMUA any amounts by which the JCMUA's sewer operating expenses and amounts required to be paid or set aside under the JCMUA's bond resolution for its sewer bonds exceed the JCMUA's revenues from user charges. The JCMUA is obligated to increase user charges in future years to make up any such deficiency, and to pay back sums advanced by the City under the Service Contract. No payments by the City have been required since the execution of the Sewer Service Contract.

The Municipal Council adopted an ordinance on December 10, 1997 to reorganize the Sewerage Authority as the JCMUA. The JCMUA and the City initially entered into a water services franchise and service agreement on April 1, 1998 (the "Initial Water Franchise Agreement") pursuant to which a) the JCMUA obtained a franchise from the City to operate the City's Water System for a ten year period which was to terminate on March 31, 2008 and b) the City agreed to provide security for the holders of the obligations of the JCMUA related to the Water System.

The JCMUA and the City agreed in the Amended and Restated Water Services Franchise and Service Agreement dated as of May 1, 2003 (the "2003 Amended Water Franchise Agreement") to: a) provide for the acquisition by the JCMUA from the City of an extension of the franchise granted under the Initial Water Franchise Agreement, in order to operate the Water System through March 31, 2028 (the "2003 Project") and b) provide for the City to continue to provide security to the holders of obligations of the JCMUA which are issued for or with respect to the Water System for the extended franchise period.

In September 2005, the City and the JCMUA entered into the 2005 Amended and Restated Water Services Franchise and Service Agreement (the "2005 Amended Agreement" and together with the Initial Franchise Agreement and the 2003 Amended Water Franchise Agreement, the "Water Franchise Agreement") to reflect a payment schedule for the cost of acquiring the City's water franchise that more accurately reflects the projected

availability of revenues to the JCMUA. Pursuant to the Water Franchise Agreement, the JCMUA has agreed to pay the City certain amounts annually from January 1, 2005 to December 31, 2027 for the rights to such franchise, and the City has agreed to convey such franchise rights to the JCMUA and to provide for the payment annually, if necessary, of any deficiencies in Water Revenues of the JCMUA in connection with the Water System. As required by the Water Franchise Agreement, the City, by ordinance adopted on September 14, 2005, consented to the JCMUA's issuance of \$17,000,000 Water Revenue Refunding Bonds on December 13, 2005, which are secured by the provisions of the Water Franchise Agreement and the Sewer Service Contract.

The Water Franchise Agreement is subject to the existing private management operating agreement in effect between the City and United Water Resources executed in 1996.

Under the Water Franchise Agreement, the City will continue to authorize indebtedness for necessary water capital improvements and the JCMUA will continue to be responsible to reimburse the City for debt service on this indebtedness. The City will also continue its obligation to make payments of any necessary annual charges or deficiency payments in the event the JCMUA does not collect sufficient revenues in any year to provide for the expenses of operation of the Water System, to maintain required reserves, and to pay annual water related debt service when due. Since 1998, the City has not been required to make any annual payment to the JCMUA under the Water Franchise Agreement. The JCMUA has taken a number of financial measures to assure that it can meet all of its operations, maintenance and debt service obligations, including required payments to the City pursuant to the Water Franchise Agreement. These measures include (i) the provision of necessary improvements from time to time to the water and sewer system, (ii) the amendment of the Water Franchise Agreement in order to reschedule the annual payments to the City to more accurately match the revenues projected to be generated by the JCMUA during the life of the Water Franchise Agreement, which runs through December 31, 2027, (iii) a rate increase of 15% effective July 1, 2005, (iv) the approval by the JCMUA of annual CPI rate increases, and (v) the restructuring of certain outstanding water and sewer system debt of the Authority based upon the projected revenues once the rate increases are in effect and the financial measures implemented.

**Jersey City Medical Center.** The Jersey City Medical Center is a voluntary not-for-profit hospital independent of the City. Previously, the Medical Center had been a public hospital.

The City contributed \$12 million for the construction cost of a new hospital facility in the Liberty Harbor North Redevelopment Area to replace the old Medical Center's buildings. The new building started operation on May 15, 2004.

### **The County of Hudson**

The City is located in the County and, in accordance with the regulations governing financial reporting for New Jersey Municipalities, a pro rata share of certain direct debt of the County is treated as "Overlapping Debt" of the City for financial reporting purposes. See "Schedule of Overlapping Debt" herein.

The County issues its bonds and notes for the financing of capital projects of the County, including County roads, buildings, parks and educational facilities. Major facilities of the County that were financed in recent years include a golf course and administration building. In addition, the County guarantees certain of the debt of the Hudson County Improvement Authority.

The gross debt of the County as of December 31, 2018 was \$919,458,061 and its net statutory debt was \$503,640,408.

### **Municipal Qualified Bond Act**

In addition to being secured by the pledge of the City's full faith and credit, certain bonds of the City are entitled to the benefits of the Municipal Qualified Bond Act, Title 40A of the New Jersey Statutes, Section 40A:3-1, et seq., as amended (the "Municipal Qualified Bond Act"). Pursuant to the Municipal Qualified Bond Act, a portion of certain State aid allocated to the City, in amounts sufficient to pay debt service on such bonds, is to be withheld by the State Treasurer and forwarded to the paying agent on or before the principal and interest payment dates for such bonds for deposit into accounts established for the purpose of paying debt service on such bonds.

Pursuant to the provisions of the Municipal Qualified Bond Act, the City shall certify to the State Treasurer the name and address of the paying agent, maturity schedule, interest rate or rates and dates of payment of debt service on any Qualified Bonds within ten days after the issuance thereof. After receipt of such certificate, the State Treasurer is required to withhold with respect to such bonds from the amount of business personal property tax replacement revenues, gross receipts tax revenues (now known as "energy receipts" tax revenues), municipal purposes tax assistance fund distributions and certain other funds appropriated as State aid payable to the City and not dedicated to a specific purpose by the State (the "municipal qualified revenues") an amount which will be sufficient to pay debt service on such bonds as it becomes due. Municipal qualified revenues do not include Aid to Distressed Cities.

The Municipal Qualified Bond Act provides that the municipal qualified revenues so withheld and paid or to be paid to and held by the paying agent are deemed to be held in trust and exempt from being levied upon, taken, sequestered or applied toward paying the debts of the City other than the payment of debt service on any such Qualified Bonds of the City issued for municipal purposes (including fiscal year adjustment or pension obligation purposes) or water utility purposes and entitled to the benefits of the Municipal Qualified Bond Act.

The Municipal Qualified Bond Act does not relieve the City of its obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest becoming due on any such Qualified Bonds. However, such budgeted amounts may be applied to the payment of operating expenses of the City for the then current year to the extent that appropriated amounts have been withheld from the municipal qualified revenues payable to the City and have been forwarded to the paying agent. Such budgeted amounts must be used to pay debt service becoming due on any such Qualified Bonds of the City issued for municipal purposes (including fiscal year adjustment or pension obligation purposes) or water utility purposes and entitled to the benefits of the Municipal Qualified Bond Act in any year in which sufficient municipal qualified revenues are not appropriated.

The State has covenanted in the Municipal Qualified Bond Act with the holders of bonds entitled to the benefits of such act, that it will not repeal, revoke, rescind, modify or amend the provisions of such act providing for the withholding of municipal qualified revenues and payment of such revenues to the paying agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such revenues which is prior in time or superior in right to the payment of debt service on such bonds.

*The Municipal Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the Paying Agent will, in fact, be made or continued. Each such annual amount is subject to appropriation by the State Legislature. Moreover, the State is not required to continue to make appropriations of such amounts, nor is the State limited or prohibited from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such amounts or in the manner, time or amount thereof. Further, the amount payable to the Paying Agent does not constitute an additional source of revenues available to the City.*

The table below shows the qualified revenues, debt service on bonds subject to the Municipal Qualified Bond Act, and coverage ratios for the last five years. State aid is distributed by the State to the City on a "phased aid" schedule.



	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<b>Qualified Revenues:</b>					
Energy Receipt Tax:	\$55,168,147	\$53,436,478	\$53,091,740	\$53,091,740	\$ 52,031,160
Consolidated Municipal Property	<u>8,676,538</u>	<u>10,408,207</u>	<u>10,431,997</u>	<u>10,752,945</u>	<u>11,813,525</u>
<b>Total Qualified Revenues:</b>	<u>\$63,844,685</u>	<u>\$63,844,685</u>	<u>\$63,523,737</u>	<u>\$63,844,685</u>	<u>63,844,685</u>
<b>Debt Service:</b>					
	36,920,775	42,143,842	35,197,742	42,287,805	43,533,669
	<u>3,696,347</u>	<u>5,189,955</u>	<u>3,895,054</u>	<u>3,493,569</u>	<u>4,361,300</u>
<b>Total Debt Service:</b>	<u>\$40,617,122</u>	<u>\$47,333,797</u>	<u>\$39,092,796</u>	<u>\$45,781,374</u>	<u>\$ 46,894,969</u>
<b>Coverage Ratio:</b>	1.58	1.35	1.625	1.39	1.36

Source: Derived from the Calendar Year 2014-2018 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statement.

The City has outstanding bonds, notes and loans for municipal purposes which are not entitled to the benefits of the Municipal Qualified Bond Act. The debt service for the calendar year ending December 31, 2018 was \$23,980,716 for such bonds, \$81,033,098 for notes and \$121,719 for such loans. The debt service for the calendar year ending December 31, 2017 was \$16,922,600 for such bonds, \$2,619,270 for notes and \$126,238 for such loans. The debt service for the calendar year ending December 31, 2016 was \$20,515,134 for such bonds, \$6,929,000 for notes and \$126,233 for such loans. The debt service for the calendar year ending December 31, 2015 was \$6,934,388 for such bonds, \$5,108,103 for such notes and \$531,945 for such loans. The debt service for the calendar year ending December 31, 2014 was \$5,507,931 for such bonds, \$5,108,063 for such notes and \$531,945 for such loans. The City may also be responsible for the payment of debt service on the bonds issued by certain independent authorities. See "CITY INDEBTEDNESS AND DEBT LIMITS -- Other City-Related Obligations" herein.

Certain outstanding issues of General Improvement Bonds, Pension Obligation Bonds, Water Bonds and FYABs of the City are entitled to the benefits of the Municipal Qualified Bond Act and certain School Bonds of the City are entitled to the benefits of the School Qualified Bond Act, Title 18A of the New Jersey Statutes, Section 18A:24-85 *et seq.*

#### **School Qualified Bond Act**

In addition to being secured by the pledge of the City's full faith and credit, certain bonds of the City are entitled to the benefits of The School Qualified Bond Act, Title 18A of the New Jersey Statutes, Section 18A:24-85 *et seq.*, as amended (the "School Qualified Bond Act"). Pursuant to the School Qualified Bond Act, a portion of the amount of State school aid payable to the school district, in amounts sufficient to pay debt service on such bonds, is to be withheld by the State Treasurer and forwarded directly to the paying agent on or before the principal and interest payment dates for such bonds. Those funds are further deposited into accounts established for the purpose of paying debt service on such bonds.

Pursuant to the provisions of The School Qualified Bond Act, the City shall certify to the State Treasurer the name and address of the paying agent, maturity schedule, interest rate or rates and dates of payment of debt service on such bonds within ten days after the issuance thereof. After receipt of such certificate, the State Treasurer is required to withhold with respect to such bonds from the amount of State school aid payable to the school district an amount which will be sufficient to pay debt service on such bonds as it becomes due. For purposes of The School Qualified Bond Act, "State school aid" means funds made available to local school districts pursuant to the Quality Education Act of 1990, N.J.S.A. 18A:7D-4.

The School Qualified Bond Act provides that the State school aid so withheld and paid or to be paid to and held by the paying agent are deemed to be held in trust and exempt from being levied upon, taken, sequestered or applied toward paying the debts of the City other than the payment of debt service on such bonds and other bonds of the City issued for school purposes and entitled to the benefits of the School Qualified Bond Act.

The School Qualified Bond Act does not relieve the City of its obligation to include in its annual budget amounts necessary to pay, in each year, the principal of and interest becoming due on such bonds. However, such budgeted amounts will be forwarded by the City to the school district, to the extent that appropriated amounts have been withheld from the State school aid payable to the school district and have been forwarded to the paying agent. Such budgeted amounts must be used to pay debt service becoming due on such bonds and other bonds of the City issued for school purposes and entitled to the benefits of the School Qualified Bond Act in any year in which sufficient State school aid is not appropriated.

The State has covenanted in The School Qualified Bond Act with the holders of bonds entitled to the benefits of such act, that it will not repeal, revoke, rescind, modify or amend the provisions of such act providing for the withholding of State school aid and payment of such monies to the paying agent for such bonds so as to create any lien or charge on or pledge, assignment, diversion, withholding payment or other use of or deduction from such monies which is prior in time or superior in right to the payment of debt service on such bonds.

*The School Qualified Bond Act does not contain a pledge or guarantee that any amounts payable to the Paying Agent will, in fact, be made or continued. Each such annual amount is subject to appropriation by the State Legislature. Moreover, the State is not required to continue to make appropriations of such amounts, nor is the State limited or prohibited from repealing or amending any law heretofore or hereafter enacted for the payment of such amounts or in the manner, time or amount thereof. Further, the amount payable to the paying agent does not constitute an additional source of revenues available to the City.*

The table below shows the qualified revenues, debt service on bonds subject to the School Qualified Bond Act, and coverage ratios for the last five years.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Qualified School Revenues:	\$412,189,971	\$475,807,171	\$422,092,541	\$417,805,515	\$ 417,859,150
Total School Debt Service:	5,561,763	7,105,819	13,361,441	9,999,304	10,483,807
Coverage Ratio:	74.11	66.96	31.59	41.78	39.86

#### **New Jersey School Bond Reserve Act**

All school bonds issued are also entitled to the benefits of the provisions of the New Jersey School Bond Reserve Act, P.L. 1980 (N.J.S.A. 18A:56-17 et seq.) (the "School Bond Reserve Act").

In accordance with the School Bond Reserve Act, there is established within the State Fund for the Support of Free Public Schools (the "Fund") a school bond reserve (the "Reserve"), which is pledged by law to secure payments of principal and interest due on such bonds in the event of the inability of any issuer thereof to make payments. The school bond reserve consists of two accounts, the old school bond reserve account and the new school bond reserve account. The old school bond reserve account is to be funded in an amount equal to 1.5% of the aggregate of such issued and outstanding bonded indebtedness for all counties, municipalities and school districts in the State for school purposes for all such indebtedness issued prior to July 1, 2003. The new school bond reserve account is to be funded in an amount equal to 1% of the aggregate of such issued and outstanding bonded indebtedness for all such indebtedness issued on or after July 1, 2003.

The Fund was established in 1817. The present State Constitution, adopted in 1947, provides that “the Legislature shall only appropriate Fund moneys for Public School purposes.” A Constitutional Amendment ratified in 1958 provides that “the Legislature may also appropriate Fund moneys for the payment of principal or interest on any school related Bonds of counties, municipalities or school districts of the State.”

Trustees of the Fund are charged with making an annual determination of the amount of school bonds outstanding and with adjusting the level of the Reserve accordingly, to the extent that moneys are available in the Fund. The State may, but is not required to, appropriate amounts to be deposited in the Fund. The School Bond Reserve Act provides that moneys received from the sale of lands belonging to the State as of 1980 or formerly lying under water are dedicated to the support of public schools and shall constitute a part of the Fund. In the event that proceeds from the sale of State riparian interests are, in the future, made payable by law to purposes other than the Fund, they may not be applied to such purposes so long as there is a deficit in the Reserve.

The State Constitution also provides that the Fund be “securely invested and perpetual in nature.” The School Bond Reserve Act requires that the Reserve be made up entirely of obligations of, or guaranteed by, the United States Government, at least one third of which must mature within one year of issuance or purchase. Investments in the Fund may include stocks, bonds and other investments prescribed by the State Investment Council Regulations.

Under the School Bond Reserve Act, the old school bond reserve account and the new school bond reserve account respectively, are pledged as security for the prompt payment of principal of and interest on bonds issued by counties, municipalities or school districts for school purposes prior to July 1, 2003 (in the case of the old school bond reserve account) or on or after July 1, 2003 (in the case of the new school bond reserve account), in the event any issuer thereof is unable to make payment. Any issuer which anticipates that it will be unable to make such payment is instructed to certify its inability to the Commissioner of Education and the Director of the Division of Local Finance at least 10 days prior to the date payment is due. If the Commissioner and the Director approve the certification, they then certify the same to the Fund Trustees. On receipt of the certification or other notice, the Trustees are required, within the limits of the Reserve, to purchase such bonds at the face amount or pay such interest when due. The amount which may be applied to any one issuer's bonds is not limited. The amount of any such payment of interest or purchase price shall be deducted from the appropriation or apportionment of State aid payable to the issuer and shall not obligate the State to make, nor entitle the issuer to receive, any additional appropriation or apportionment. There have not been any required withdrawals from the Reserve since its establishment.

The School Bond Reserve Act does not contain a covenant by the State to refrain from repealing, revoking, rescinding, modifying or amending the provisions of that act.

## **CITY FINANCIAL INFORMATION**

### **Audit Requirement**

State law requires every municipality to have an annual audit of its books and accounts to be completed within six months after the close of its fiscal year. The audit must be conducted by a registered municipal accountant and the audit report must be filed with the municipal clerk and with the Director.

Copies of the Annual Financial Statements are available for inspection during normal business hours at the office of the City Clerk and a copy of the City's Audited Financial Statements for the Calendar Year ended December 31, 2017.

### **Accounting Principles and Fund Structure**

#### **Accounting Principles.**

The City does not prepare its financial statements in accordance with generally accepted accounting principles (“GAAP”). The City prepares its financial statements in accordance with the accounting policies prescribed by the Division, which differ from those prescribed under GAAP. The accounting policies prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and

as a means of reporting on the stewardship of public officials with respect to public funds. See "FINANCIAL STATEMENTS OF THE CITY OF JERSEY CITY" in APPENDIX B for a more complete discussion of the City's accounting policies.

#### **Fund Structure.**

Under the method of accounting prescribed by the Division, the City accounts for its financial transactions through separate funds which differ from the fund structure required by GAAP. See "FINANCIAL STATEMENTS OF THE CITY OF JERSEY CITY" in APPENDIX B herein for a detailed description of the fund structure utilized by the City.

#### **Basic Financial Statements.**

The City presents the financial statements which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

#### **Reporting Entity.**

The Division requires the financial statements of component units of the City to be reported separately unlike GAAP pursuant to which there are criteria to be used to determine which component units should be included in the financial statements of the oversight entity. Inasmuch as their activities are administered by separate boards, the financial statements of the Jersey City Board of Education, Jersey City Public Library, Jersey City Municipal Utilities Authority, Jersey City Municipal Port Authority and Jersey City Redevelopment Agency are reported separately.

#### **Uniform Chart of Accounts**

In an attempt to instill uniformity in financial reporting among the numerous municipal and county entities in New Jersey, the Division of Local Government Services has required the implementation of a Flexible Chart of Accounts ("FCOA") and Other Comprehensive Basis of Accounting — Comprehensive Annual Financial Report ("OCBOA-CAFR") by all New Jersey local and governmental entities. Procedures as to implementation dates are still pending by the State.

An important goal of the FCOA is to enable a comparison of local unit expenditures and revenues. Because municipalities and counties have different approaches to budgeting, common budget activity categories have been developed to facilitate comparison. These categories are necessary to prepare the Comprehensive Annual Financial Report and comply with budget regulations.

In order for each municipality and county to maintain the same minimum number of financial records and classify financial transactions in similar account classification structure, a uniform, flexible chart of accounts is already in place. This standardized chart of accounts, ("FCOA"), facilitates the electronic filing of budgets and other financial documents. The City converted its existing account numbers to that of FCOA and OCBOA-CAFR.

#### **Current Fund – Revenues and Expenditures**

The Current Fund is used to account for the revenues and expenditures for governmental operations of a general nature, including debt service on general improvement and school bonds, and tax appeal refunding notes. The fund balance in the Current Fund at the end of each fiscal year is comprised of cash, investments and certain receivables. Under State law, only the amount of Current Fund balance held in cash or quick assets may be included as anticipated surplus in the succeeding fiscal year's budget, unless the Director gives written consent to an exception.

The information presented in the following tables has been derived from the City's Audited Financial Statements for fiscal years ending December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018. The fund balance does not reflect a cash surplus and the balance consists primarily of receivables. The amount of the fund balance that may be used in the succeeding year's budget consists of receivables which have a high probability of being realized in the succeeding fiscal year and which are permitted by

the Director to be included in the succeeding year's budget. The fund balances as of 2013 through 2017, and the amounts included in the budget for each succeeding year are shown below:

<b>Fiscal Year Ending</b>	<b>Current Fund Fund Balance</b>	<b>Used in Succeeding Year Budget</b>
December 31, 2018	\$76,066,343	\$39,998,595
December 31, 2017	56,339,410	26,557,200
December 31, 2016	78,920,179	39,954,250
December 31, 2015	50,705,610	20,745,651
December 31, 2014	56,132,966	25,722,750

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Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.

The following table summarizes the Current Fund revenues for the last five years with a comparison of budgeted revenues and expenses to actual amounts. The tables on the succeeding pages set forth the City's appropriations for the last five years and show the operations and changes in the Current Fund over the past five years.

	Revenues In Thousands									
	December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015		December 31, 2014	
	<u>Budgeted<sup>(1)</sup></u>	<u>Realized</u>	<u>Budgeted<sup>(1)</sup></u>	<u>Realized</u>	<u>Budgeted<sup>(1)</sup></u>	<u>Realized</u>	<u>Budgeted<sup>(1)</sup></u>	<u>Realized</u>	<u>Budgeted<sup>(1)</sup></u>	<u>Realized</u>
<b>Fund Balance Utilized.....</b>	\$ 26,580	\$ 26,580	\$ 39,960	\$ 39,960	\$ 20,746	\$ 20,746	\$ 25,723	\$ 25,723	\$ 16,413	\$ 16,413
<b>Municipal Levy.....</b>	236,747	243,452	228,298	228,890	223,276	225,570	219,785	222,266	217,414	232,324
<b>Addition to School Tax Levy.....</b>	3,063	3,063	3,916	3,916	7,702	7,702	5,429	5,429	5,774	5,774
<b>Minimum Library Tax .....</b>	9,473	9,473	8,566	8,566	7,220	7,220	6,575	6,575	6,190	6,190
<b>Delinquent Taxes.....</b>	1,196	4,508	812	2,263	1,160	559	2,100	1,461	851	957
<b>Miscellaneous Revenue Anticipated:</b>										
Building Aid Allowance for Schools .....	2,498	2,498	3,190	3,190	5,659	5,926	4,569	4,569	4,709	4,709
Consolidated Municipal Property Tax Relief Aid .....	8,677	8,677	10,408	10,408	10,432	10,432	10,753	10,753	11,814	11,814
Miscellaneous .....	251,508	251,213	219,291	244,254	243,536	270,611	206,920	218,345	199,379	210,750
Energy Receipt Tax .....	55,168	55,168	53,436	53,436	53,092	53,092	53,092	53,092	52,031	52,031
Municipal Utilities Authority Franchise .....	21,000	21,000	21,000	21,000	20,000	20,000	19,000	19,000	14,500	14,500
<b>Total Miscellaneous Revenue Anticipated.....</b>	<b><u>338,851</u></b>	<b><u>338,556</u></b>	<b><u>307,325</u></b>	<b><u>332,288</u></b>	<b><u>332,719</u></b>	<b><u>360,111</u></b>	<b><u>294,334</u></b>	<b><u>305,759</u></b>	<b><u>282,433</u></b>	<b><u>293,804</u></b>
<b>Unanticipated Revenues (Non Budget)</b>	<b><u>-</u></b>	<b><u>11,876</u></b>	<b><u>-</u></b>	<b><u>5,883</u></b>	<b><u>-</u></b>	<b><u>2,760</u></b>	<b><u>-</u></b>	<b><u>1,185</u></b>	<b><u>-</u></b>	<b><u>2,013</u></b>
<b>Total Revenues .....</b>	<b><u>\$615,910</u></b>	<b><u>\$625,633</u></b>	<b><u>\$588,878</u></b>	<b><u>\$621,766</u></b>	<b><u>\$570,918</u></b>	<b><u>\$603,364</u></b>	<b><u>\$553,940</u></b>	<b><u>\$568,398</u></b>	<b><u>\$529,075</u></b>	<b><u>\$545,512</u></b>

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.

<sup>(1)</sup> Includes amendments to the budget subsequent to adoption, such as grant awards.

	Appropriations In Thousands				
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<b>Operating Expenses</b>					
Salaries and Wages .....	\$ 215,670	\$ 239,314	\$ 228,897	\$ 216,605	\$ 213,570
Pensions .....	61,809	64,622	56,519	51,059	48,948
Health Benefits .....	95,567	94,752	94,500	78,578	75,556
Deferred Charges .....	6,175	6,748	8,427	8,983	8,074
Other Expenses .....	169,840	122,737	116,896	131,090	116,251
Reserve for Uncollected Taxes	<u>7,599</u>	<u>4,881</u>	<u>3,847</u>	<u>3,500</u>	<u>1,847</u>
Total .....	556,660	533,054	509,086	489,815	464,246
 <b>Capital Debt Service .....</b>	 67,570	 65,419	 62,034	 50,321	 45,431
<b>School Debt Service .....</b>	 5,562	 7,106	 13,361	 9,999	 10,484
<b>Tax Refunds and</b>					
<b>Operational Debt Service<sup>(1)</sup></b>	<u>1,583</u>	<u>1,583</u>	<u>4,629</u>	<u>11,528</u>	<u>14,295</u>
 <b>Total .....</b>	 <u>\$ 631,375</u>	 <u>\$ 607,162</u>	 <u>\$ 589,110</u>	 <u>\$ 561,663</u>	 <u>\$ 534,456</u>

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.

<sup>(1)</sup> Represents payments for bonds issued by prior administrations to finance operating deficits and refunds of past property tax over-charges.

**Statement of Operations and Changes in Fund Balance In Thousands**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Revenue and Other Income Realized:</b>					
Fund Balance Utilized .....	\$ 26,580	\$ 39,960	\$ 20,746	\$ 25,723	\$ 16,413
Miscellaneous Revenue Anticipated .....	338,556	332,288	338,806	305,759	293,804
Current Year Taxes .....	505,271	492,469	472,570	452,048	446,147
Delinquent Taxes .....	4,508	2,263	559	1,461	957
Non-Budget Revenue .....	11,876	5,883	2,760	1,185	2,013
Other Credits to Income:					
JCMUA Franchise Extension Fees .....			14,000		
Unexpended Balance of Appropriations Reserves .....	25,089	18,989	13,999	7,569	8,105
Cancellation of Reserves .....	0	-0-	-0-	468	4,616
Cancellation of Contracts Payable & Checks .....	3,343	1,231	1,392	1,711	591
Miscellaneous .....	1,092	2,593	2,396	580	104
Interfunds Liquidated .....	<u>11,849</u>	<u>45</u>	<u>311</u>	<u>246</u>	<u>5,392</u>
Total Revenue and Other Income Realized .....	<u>948,135</u>	<u>895,721</u>	<u>867,539</u>	<u>796,750</u>	<u>778,142</u>
<b>Expenditures:</b>					
Budget and Emergency Appropriations:					
Appropriations Within "CAP" Operations:					
Salaries and Wages .....	215,695	239,314	228,897	216,603	213,570
Other Expenses .....	214,724	180,209	165,850	179,688	153,234
Deferred Charges and Statutory Expenditures .....	61,984	64,622	56,519	51,059	48,948
Appropriations Excluded from "CAP" Operations:					
Salaries and Wages .....				-	-
Other Expenses .....	48,784	36,796	44,344	29,949	37,573
Capital Improvements .....	1,874	300	1,200	314	1,000
Municipal Debt Service .....	69,153	67,002	66,663	61,809	59,726
Deferred Charges - Municipal .....	6,000	6,933	8,427	8,983	8,074
Local School District Purposes .....	5,562	7,106	13,361	9,756	10,484
Reserve for Uncollected Taxes .....	7,599	4,881	3,847	3,500	1,847
School Taxes .....	120,530	115,548	113,283	111,062	109,149
County Taxes .....	140,576	130,445	117,725	105,866	102,513
Amount Due County on Added & Omitted Taxes .....	2,970		1,071	851	2,160
Special District Taxes .....	4,491				
Municipal Open Space Tax .....	687				
Miscellaneous .....	9		2,348	4,702	3,911
Interfunds Created .....	16,656	11,849	45	311	246
Total Expenditures .....	<u>917,294</u>	<u>878,342</u>	<u>823,579</u>	<u>784,455</u>	<u>752,435</u>
Excess (Deficit) in Revenue .....	30,842	17,379	43,960	12,295	25,707
Adjustments to Income before Fund Balance:					
Special Emergency Authorization Master Plan .....	940				
Over expenditure of Appropriations .....	25				
Expenditures included above which are by Statute .....					-
Deferred Charges to Budget of Succeeding Year:					606
Special Emergency Appropriations .....				8,000	
Revaluation of Properties .....			5,000		-
Contractual Severance Liabilities .....	14,500				<u>7,500</u>
Excess in Operations After Adjustment .....	46,307	17,379	48,960	20,295	33,813
Fund Balance Beginning of Year .....	<u>56,339</u>	<u>78,920</u>	<u>50,706</u>	<u>56,133</u>	<u>38,734</u>
	102,647	96,299	99,666	76,428	72,547
Amount Utilized as Anticipated Revenue .....	<u>26,580</u>	<u>39,960</u>	<u>20,746</u>	<u>25,723</u>	<u>16,413</u>
Fund Balance, End of Year .....	<u><u>\$78,066</u></u>	<u><u>\$56,339</u></u>	<u><u>\$78,920</u></u>	<u><u>\$50,705</u></u>	<u><u>\$56,134</u></u>

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.



## CITY REVENUES

### Overview

The City derives its revenues from a variety of local taxes, user charges and miscellaneous revenues, as well as from Federal and State unrestricted and categorical grants. Local revenues provided approximately 8% of total revenues in Calendar Year 2017 while Federal and State aid, including unrestricted aid and categorical grants, provided 10.8%. A discussion of the City's principal revenue sources follows.

### Cash Flow Management

While State law requires the City to adopt and operate under a balanced budget and the City has not had a cash deficit at the end of any of the last ten fiscal years, the City's historic experience in the timing of the receipt of its various revenues has shown significant variance. The management of matching receipts and expenditures for operating purposes has required the use of significant amounts of temporary interfund transfers between operating and capital accounts. The City has undertaken an initiative to analyze and report cash flows (receipts and expenditures) on a monthly cycle to enable better matching of receipts with expenditures during each fiscal year. However, as long as the receipt of substantial appropriated revenues is dependent upon State, Federal and special program sources, there is no certainty that additional temporary interfund transfers or other short-term funding mechanisms will not be required should temporary cash flow imbalances persist.

### Real Estate Tax

The real estate tax, the single largest source of the City's local revenues, is the primary source of funds for the City's Current Fund. The City derived approximately 38.82% of its total revenues for Calendar Year 2017 from the City's portion of the real estate tax.

The amount of real property taxes payable by a property owner is based on the assessed value of the property taxed and the combined tax rate for the City, the County and the School District. The assessed value of property is determined by the City's Tax Assessor. Although property may be reassessed at any time, the Tax Assessor generally reassesses property upon a revaluation and upon a resale. The last revaluation took place in 1988. The City's tax rate is determined by the City after adopting the final budget. The City's tax rate is determined based on the amount of budgeted expenditures, the amount of other available revenues and the aggregate assessed value of all taxable property in the City. The tax rates allocable to the County and School District are determined based on their respective budgets. The City must submit its tax rate to the County which certifies the aggregate rate to be levied.

#### Analysis of Tax Rates and Percent Distribution Rate Per \$1,000 Assessed Valuation

<u>Year</u>	<u>Total</u>	<u>Municipal<sup>(1)</sup></u>	<u>Percent of Total</u>	<u>County</u>	<u>Percent of Total</u>	<u>County Open Space Tax</u>	<u>Percent of Total</u>	<u>School</u>	<u>Percent of Total</u>
2018	\$14.88	\$7.18	48.26%	\$4.00	26.88%	\$0.10	.67%	\$3.60	24.19%
2017	78.00	38.11	48.88%	20.28	26.00%	0.43	0.55%	19.18	24.59%
2016	77.01	37.83	49.12%	18.96	24.62%	0.36	0.47%	19.86	25.79%
2015	74.82	37.73	50.43%	17.49	23.38%	0.17	0.23%	19.43	25.97%
2014	74.34	37.68	50.69%	17.12	23.03%	0.17	0.23%	19.37	26.06%

<sup>(1)</sup> Includes library tax and Local Open Space

Source: Derived from the County Board of Taxation Certification

**Tax Collection Procedure.** Taxes are payable quarterly on February 1, May 1, August 1 and November 1. Tax bills are sent out twice during the year, generally in June and December. The bill for taxes payable in February and May is based on the assessed value of the property as of January of the preceding year. The bill for taxes payable in August and November reflects adjustments made so that the taxes paid for the calendar year reflect the assessed value of the property as of January of the current year.

The City is required to send out tax bills at least 45 days before the taxes are due; however, if the budget has not been adopted by that time, the City may delay sending out the bills to a date at least 25 days before the taxes are payable. If the budget has not been adopted by that time, the bill is based on an estimated rate and the second bill will be adjusted to compensate for any difference between the actual rate and the estimated rate. Taxpayers are allowed a 10-day grace period for paying their taxes. Interest is charged on any late payments of taxes from the date the taxes were due until they are paid at a rate of 8% per annum for the first \$1,500 of delinquent taxes and 18% on any delinquent amount in excess of \$1,500. All unpaid taxes for the previous year are annually placed in a tax sale prior to putting a lien on the property, in accordance with the New Jersey Statutes. If the tax lien is sold, depending upon the amount of the lien sold, there is an additional penalty of 2%, 4% or 6%. *In rem* tax foreclosure proceedings may be instituted to enforce the tax collection or acquisition of title to the property by the City.

The City collects taxes for itself and for the County and the School District. The City pays to the County and the School District 100% of the amount of taxes billed by those entities, regardless of the number of taxpayers that are delinquent. The City pays the County its share of real property taxes quarterly (on February 15, May 15, July 15 and November 15) and pays the School District its share monthly.

### **Equalization Rate and Tax Collection Rates**

The State determines, based on market data, the relationship between the assessed value of property and the “true value” or market value of the property. The State then calculates the equalization rate, which is the assessed value divided by the true value, expressed as a percentage. The assessed value divided by the equalization rate provides the equalized value, which is the value used to calculate the City's debt limit. See “CITY INDEBTEDNESS AND DEBT LIMITS - Debt Limits” herein. The following table sets forth the assessed valuation, equalization rate and equalized value of property in the City of the last 5 calendar years.

<b>Assessed Valuations</b>						<b>Equalization Ratio</b>	<b>Equalized Valuation of Taxable Real Property</b>
<b>Year</b>	<b>Land</b>	<b>Improvements</b>	<b>Land and Improvements<sup>(1)</sup></b>	<b>Personal Property</b>	<b>Net Valuation Taxable<sup>(2)</sup></b>		
2018	\$14,976,429,800	\$19,640,972,814	\$34,617,402,614	\$64,373,216	\$34,360,843,026	101.02	\$34,014,551,210
2017	1,647,040,070	4,636,825,818	6,283,865,888	15,291,070	6,229,997,658	23.66	\$26,609,970,848
2016	1,655,155,703	4,493,719,645	6,148,875,348	17,185,090	6,093,045,338	27.63	22,375,519,222
2015	1,578,755,314	4,401,341,030	5,980,096,344	17,672,253	5,997,768,597	30.02	20,246,400,032
2014	1,548,586,503	4,430,998,768	5,916,171,471	16,605,073	5,932,776,544	30.02	19,707,433,281

Source: The City of Jersey City, Office of the Tax Assessor

(1) Includes partial exemptions and abatements.

(2) Excludes properties exempt from real property taxes.

Taxpayers are required to pay taxes based on the assessed value of their property and then are permitted to appeal. If the taxpayers are successful on appeal, they will receive a refund. Appeals by property owners required the City to make refunds of tax payments in the amounts of approximately \$7.4 million in 2013, \$5.4 million in 2014, \$5.2 million in 2015, \$6.7 million in 2016 and \$7.1 in 2017. The City is authorized to issue bonds to reimburse itself for payments made pursuant to successful tax appeals. The City has not authorized the issuance of bonds to fund tax appeals since 2012. See “CITY INDEBTEDNESS AND DEBT LIMITS – Exception to Debt Limit - Real Property Tax Appeal Refunding Notes” herein.

On September 14, 2016, the City adopted a special emergency appropriation of \$5 million for the preparation and execution of a complete program of revaluation of real property for the use of the local assessor.

The following table sets forth the amount of taxes levied in each year and the amount and percentage of such levy collected or canceled. In addition, the table sets forth the amount and percentage of delinquent taxes from all prior years collected in a particular year, the amount transferred to tax lien, the tax lien balance, and the value of foreclosed property acquired by the City. The tax collection rate in the Calendar Year ending December 31, 2017 was 98.29%.

**Analysis of Real Estate Tax Billings and Collections**

<b><u>Tax Billings</u></b>	<b><u>December 31, 2018</u></b>	<b><u>December 31, 2017</u></b>	<b><u>December 31, 2016</u></b>	<b><u>December 31, 2015</u></b>	<b><u>December 31, 2014</u></b>
Municipal <sup>(1)</sup>	\$263,930,076	\$246,146,642	\$233,967,802	\$229,124,333	\$230,850,029
School	120,529,902	119,464,435	120,985,223	116,490,978	114,923,807
County	<u>142,066,748</u>	<u>130,445,002</u>	<u>118,795,203</u>	<u>106,716,687</u>	<u>104,672,969</u>
Total Billings	<u>\$526,526,726</u>	<u>\$496,056,079</u>	<u>\$473,748,228</u>	<u>\$452,331,998</u>	<u>\$450,446,805</u>
Taxes Collected	517,642,714	487,588,681	468,722,869	448,547,898	444,300,251
Percent Collected	97.11%	98.29%	98.94%	99.16%	98.64%
Taxes Canceled or Remitted	8,295,030	1,713,905	3,966,143	3,316,205	6,720,278
Delinquent Taxes Collected, Including Liens	4,508,431	1,828,745	559,368	1,461,339	912,146
Total Current and Delinquent Collected	522,151,145	489,417,426	469,282,237	451,864,103	445,212,397
Percent Collected <sup>(2)</sup>	98.31%	98.66%	99.06%	99.89%	98.84%
Delinquent Tax Balance Current Year	3,479,761	7,604,448	1,504,721	467,897	715,416
Prior Year's Tax Balance	10,289,806	2,648,205	2,760,607	3,660,742	2,768,273
Taxes Receivable Balance Transferred to Tax Title Liens	13,769,567	10,252,653	4,265,328	3,125,278	3,660,742
Current Year	-0-	-0-	-0-	265,880	39,202
Tax Title Lien Balance	37,154	37,154	37,154	659,482	422,969
Foreclosed Property Balance	1,455,500	1,455,500	1,455,500	1,680,900	1,455,500

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.

(1) Includes Minimum Library Tax of \$9,472,953 for 2018, \$8,565,681 for 2017, \$7,220,380 for 2016, \$6,574,673 for 2015 and \$6,190,185 for 2014.

(2) Includes receipts and balances of current taxes, delinquent taxes and tax title liens.

The ten entities that paid the most real property taxes in 2017 do not, in the aggregate, exceed 10.5% of the total levy. Listed below are the taxpayers whose property has the greatest assessed valuations in the City.

#### **Ten Largest Assessed Valuations in the City**

<u>Name</u>	<u>Type of Business</u>	<u>2018 Assessed Valuations</u>
Newport Centre (New York)	Mixed – Office, Retail	\$ 603,080,600
M-C Plaza II & II	Office	386,000,000
101 Hudson Realty	Office	361,140,000
MEPT Newport Tower (Texas)	Office	300,772,000
Newport Centre, LLC (Indianapolis)	Office	266,281,400
Hancock – Reit Corp.	Office	224,955,500
25 River Drive Urban Renewal	Office, Retail, Residential Development	189,024,600
Grove Pointe	Residential, Retail	185,000,000
MCA 328 Property Bldg	Residential, Retail	182,937,600
Cali Harbor So Pier U.R.	Hotel Development	180,120,000

#### **Tax-Exempt Properties**

As of May 3, 2019, approximately 35.58% of the total assessed value of the City's real property was exempt from real property taxation. However, this number does not include certain service charges for PILOTS.

#### **Tax-Exempt Properties in the City**

	<u>2019 Assessed Valuation</u>
Public Schools	\$ 1,310,767,900
Schools Other Than Public	328,436,100
Public Property	5,462,569,982
Church and Charities	1,043,135,700
Cemeteries	95,669,300
Other Exempt Properties	<u>11,249,638,000</u>
	<u>\$ 19,490,216,982</u>

Source: The City of Jersey City, Office of the Tax Assessor.

#### **Properties in Tax Abatement**

Under the provisions of State law, the City may abate the taxes payable on newly constructed commercial and residential properties. The owners of such properties generally pay taxes on the value of the land on which the property is located but, pursuant to agreements with the City, pay payments-in-lieu-of-taxes ("PILOTS") on the value of the improvements on the property instead of taxes. Such abatements are used as an incentive to encourage development in areas within the City. State law provides different abatement programs for commercial and residential development. The law allows a 15-year abatement period during which the taxes on the improvements on property could be abated and PILOTS charged instead. The PILOTS for commercial properties were based on the

construction cost of the property (initially 2% of the costs) or on the revenues received from leasing of the property. The law also allows for a 5-year short-term abatement period in which PILOTs are based on a percentage of what the tax bill otherwise would have been. Residential property is eligible for a 30-year abatement period and the PILOTs for residential property are based either on the sale price of the property (if condominiums are involved) or the rent roll (for a rental property). In April 1992, the law was amended to allow an abatement period of up to 30 years for commercial property, also during which PILOT payments are the higher of an amount based on construction costs and a percentage of the taxes that would have been payable. However, the City has made it a policy to only grant 30 year abatements for affordable housing projects.

In addition to the difference between the amount of a PILOT and the amount of taxes, PILOTs differ from taxes in two other ways. First, PILOTs are paid to the City and no portion of the PILOT is payable to the County or the School District. Second, there is no incentive for a property owner to appeal the assessed value of the property while it is subject to abatement. Therefore, it is not clear whether the assessed value determined during the abatement period will be appealed when the property is no longer subject to abatement. When the abatement period ends, the property becomes subject to taxation on both the land and improvements. See "CITY ECONOMIC AND DEMOGRAPHIC INFORMATION" and "ECONOMIC DEVELOPMENT" herein.

The City's authority to enforce payments in lieu of taxes and the remedies available to it for delinquent payments are the same as those for real property taxes, including sale of liens and foreclosures. In addition, the City may revoke the taxpayers' ability to make payments in lieu of taxes. Further, the City has engaged the services of several independent accounting firms to review the records of properties in abatement to ensure the accurate reporting of development costs upon which payments in lieu of taxes are calculated.

#### **Municipal Revenues From Payments In Lieu Of Taxes (PILOT) On Properties In Tax Abatement**

<u>Year Ending</u>	<u>PILOT Revenue</u>
December 31, 2018	\$134,023,025
December 31, 2017	141,808,933
December 31, 2016	137,388,598
December 31, 2015	130,861,698
December 31, 2014	121,966,019

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Financial Statements of the City..

The estimated development cost of the 35 major commercial properties currently covered by abatements exceeds \$3 billion.

Listed below are the five entities which were responsible for the highest PILOT payments in Calendar Year 2018:

#### **Five Largest PILOT Payers**

<u>Name</u>	<u>Calendar Year 2018 Payment Amount</u>
K. Hovanian@77 Hudson Street	\$5,152,374
Vector I	4,467,010
Port Liberte II	4,078,474
Liberty Harbor North UR	4,049,991
James Monroe	3,622,484
<b>TOTAL</b>	<b><u>\$21,370,333</u></b>

Source: Derived from the City's Tax Abatement Office.

## Delinquent Taxes

Delinquent taxes can be anticipated only to the extent of the last preceding year's delinquent tax collection percentage.

The following chart shows the amount and percentage of delinquent taxes budgeted for collection by the City and the amount and percentage of delinquent taxes which were actually collected in such fiscal year, for the last five years. The amount of delinquent taxes represents an aggregate amount of unpaid taxes for all prior years.

### Delinquent Taxes and Tax Title Liens

<u>Year Ending</u>	<u>Balance of Delinquent Taxes at Start of Year</u>	<u>Budgeted Amount of Delinquent Taxes to Be Collected</u>	<u>Percent of Delinquent Taxes Budgeted to be Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Percent of Delinquent Taxes Collected</u>
December 31, 2018	\$10,289,806	\$1,195,926	11.62%	\$4,508,431	43.81%
December 31, 2017	4,265,328	812,309	19.04%	\$1,828,745	42.87%
December 31, 2016	3,784,760	1,160,785	30.67%	559,368	14.78%
December 31, 2015	3,125,278	2,100,000	0.67%	1,461,339	0.47%
December 31, 2014	2,768,273	851,494	0.31%	912,146	0.33%

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.

The City currently reviews the status of real property with outstanding delinquent taxes to institute a more rapid disposition of property through foreclosure and sale. The City usually sells tax liens annually at auction and retains unsold liens. In 2014, 2015, 2016, 2017 and 2018 the City sold an aggregate of \$14,805,574, \$23,996,324, \$14,584,637, \$15,172,393 and \$6,299,551 of tax title lien certificates, respectively.

## Property Tax Reform

In recent years, the New Jersey Legislature has considered various proposals to lessen the dependence of local governments on property taxes and to find alternative means to fund vital governmental services.

On July 13, 2010, the Governor approved legislation which, in addition to the "Cap Law" described under "THE CITY OF JERSEY CITY - Limitation on Expenditures" above, amends the property tax levy cap that was initially enacted in 2007. This law puts a limitation of 2% on the property tax levy set in the annual budget. The law allows for exclusions for capital expenditures, debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, and increases in health care costs in excess of 2%. This limitation may be exceeded by approval of an affirmative vote in excess of 50% of the people voting at a special referendum held for such purpose.

The tax levy limitation does not limit the obligation of the City to levy ad valorem taxes upon all taxable real property within the City to pay debt service on the Notes.

Any legislation or constitutional amendments which alter the existing system of real property taxation in New Jersey may adversely affect the security and/or market value of bonds, notes and other obligations of counties and municipalities (such as the City).

## City Payroll Tax

Pursuant to State legislation approved in July, 2018, the Municipal Council adopted an ordinance on November 20, 2018 establishing a one percent (1%) tax on employer payrolls. Wages of City residents and certain charitable organizations are generally excluded from the tax. Under the ordinance, all proceeds of the payroll tax are to be deposited in a trust fund to be used exclusively for school purposes, including charter schools. It is expected that the payroll tax receipts will be used largely to offset anticipated reductions in State education aid to the City's Board of Education resulting from a recent statutory amendment to the statewide school funding formula.

## State Aid Programs

The State of New Jersey provides financial support to local governments and school systems through various programs aimed at reducing reliance on the local property tax base. As described below, the City received or receives (i) urban enterprise aid, (ii) aid on distributed tax and (iii) aid on State reimbursement for certain categories of taxpayers. The State maintains a variety of smaller programs of grants-in-aid to municipalities in such fields as housing, neighborhood preservation, health, and social services, and has assumed funding of other programs previously financed by the City, thereby relieving the City from funding such costly programs. The City is allowed a credit for certain administrative charges under Federal programs.

**Urban Enterprise Zone Funds.** Under the State's Urban Enterprise Zone program which is administered by the State Department of Commerce and Economic Development, Division of New Jersey Urban Enterprise Zones, three percent (3%) of the sales tax levied by the State on certain specified goods and services paid by certified businesses operating within specially-created urban enterprise zones is paid into a segregated account within the State's Zone Assistance Fund for the benefit of the municipality in which the zone is located. To encourage businesses to locate in urban enterprise zones, the State exempts certified urban enterprise zone businesses from State sales taxes on equipment and supplies utilized in daily operations, as well as building materials. Monies held for the account of a municipality within the Zone Assistance Fund may be used to pay for capital projects or municipal services, following the filing of an application by the municipality and approval of the application by the members of the State Urban Enterprise Zone Authority.

One-third of the City's total acreage qualifies as a State-approved "urban enterprise zone". The City's urban enterprise zone incorporates the major retail corridors located within the City, as well as its primary commercial and industrial areas. In the past, the City utilized the funds it has received under the State Urban Enterprise Zone Program for capital improvements, economic development, redevelopment, special improvement districts and business improvement districts. However, the City has not received any funds since 2009 due to State budgetary constraints.

**Distributed Taxes.** The State collects various taxes for distribution to local governments. Of these, Energy Receipt Tax (formerly known as Public Utilities Franchise and Gross Receipts Taxes) and Consolidated Municipal Property Tax Relief Aid are the two largest programs of State Aid in New Jersey and the major sources of state aid to the City. The energy receipt tax represents taxes received by the State on properties and right-of-ways owned by public utilities. These funds are disbursed to municipalities based on a formula reflecting such property located within each municipality. The consolidated municipal property tax relief aid, created in fiscal year 1996, consolidated 14 separate state programs (i.e., urban aid, business personal property tax replacement aid and municipal revitalization aid) into a single aid program. Building Aid Allowance for School represents state aid to support the public educational programs in the City including aid on facilities construction and improvements.

The chart below provides the amount of State aid received by the City in the last five fiscal years. Certain State aid is required to be withheld by the State Treasurer and paid to the paying agents for certain bonds of the City in an amount sufficient to pay debt service on such bonds. See "CITY INDEBTEDNESS AND DEBT LIMITS — Municipal Qualified Bond Act" and "— School Qualified Bond Act" herein.

### State Aid to Jersey City

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Urban Enterprise Zone Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Receipt Tax	55,168,147	53,436,478	53,091,740	53,091,740	52,031,160
Building Aid Allowance for School <sup>(2)</sup>	2,498,370	3,189,788	5,926,086	4,569,847	4,709,375
Consolidated Municipal Property Tax Relief Act	<u>8,676,538</u>	<u>10,408,207</u>	<u>10,431,997</u>	<u>10,752,945</u>	<u>11,813,525</u>
<b>TOTALS:</b>	<u>\$66,343,055</u>	<u>\$67,034,473</u>	<u>\$69,465,660</u>	<u>\$68,430,369</u>	<u>\$ 68,554,060</u>

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.

<sup>(1)</sup> Supplemental School Tax Relief allows state-operated schools to reduce the tax levy for school purposes.

**Tax Exemption Reimbursement.** The State reimburses municipalities for the full cost of mandated property tax deductions and exemptions for certain categories of taxpayers. The State reimbursed the City for seniors/veterans/disabled citizens for the calendar years ending December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018, \$408,960, \$516,989, \$401,802, \$424,848 and \$385,624, respectively.

### Summary of State/Federal Aid to School Districts

In 1973, the Supreme Court of the State ruled in Robinson v. Cahill that the existing method of financing, school costs principally through property taxation was unconstitutional. Pursuant to the Supreme Court's ruling, the State Legislature enacted the Public School Education Act of 1975 (P.L. 1975, Ch. 212) which required funding of the State's School Aid through the New Jersey Gross Income Tax Act (P.L. 1975, Ch. 47) enacted for the purpose of providing property tax relief.

On June 5, 1990, the Supreme Court ruled in Abbott v. Burke, that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy districts were able to spend more, yet tax less for educational purposes.

### The Quality Education Act of 1990

The Legislative response to Abbott v. Burke was the passage of the QEA (P.L. 1990, C. 52), which was signed into law on July 3, 1990. This law established a new formula for the distribution of State aid for public education commencing with the 1991-92 fiscal year. The law provided a formula that took into account property value and personal income to determine a district's capacity to raise money for public education. A budgetary limitation or "CAP" on expenditures was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The QEA was amended and revised by Chapter 62 of the Pamphlet Laws of 1991 of New Jersey, effective March 14, 1991 and further amended by Chapter 7 of the Pamphlet Laws of 1993 effective December 14, 1993.

On July 12, 1994, the Supreme Court of New Jersey declared the school aid formula under the QEA, as amended, unconstitutional on several grounds as it is applied to the 30 special needs districts designated by the State in ongoing litigation commonly known as Abbott v. Burke II. The City's school district is a special needs district. No specific remediation was ordered, but the Supreme Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996, so that the new formula would be implemented in the 1997-98 fiscal year.



## **Comprehensive Educational Improvement and Financing Act of 1996**

In keeping with the Supreme Court's deadline, Governor Christine Todd Whitman signed into law on December 20, 1996, the *Comprehensive Educational Improvement and Financing Act of 1996* ("CEIFA"). CEIFA affects how public schools are funded by the State, beginning in the 1997-98 fiscal year.

CEIFA departs from other funding formulas adopted in New Jersey by defining what constitutes a "thorough and efficient" education, which is what the New Jersey Constitution requires every public school student to receive. CEIFA further establishes the costs to provide each student with an education that is "thorough and efficient."

In defining what constitutes a "thorough" education, the New Jersey State Board of Education adopted a set of Core Curriculum Content Standards. The purpose of these standards is to provide all students with the knowledge and skills that will enable them to be productive citizens when they graduate from any New Jersey high school, regardless of the school's location or socioeconomic condition. CEIFA provides State aid assistance in the form of Core Curriculum Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Content Standards.

The definition of an "efficient" education under CEIFA determines the cost to provide each student with an education that fulfills the requirements for the Core Curriculum Content Standards. The efficiency standard defines such things as optimal class size, administrators/teachers per student, schools per district, and the types and amount of classroom supplies, services, and materials. CEIFA establishes an approximate amount per student to educate each student at various grade levels in the Core Curriculum Content Standards. This amount will be adjusted biennially for inflation by the consumer price index.

In determining how much Core Curriculum Standards Aid a school district will receive, CEIFA considers each school district's financial ability to fund such a level of education. This component of CEIFA is referred to as the local share requirement, namely, the amount of taxes that a school district can raise relative to other school districts based on property wealth and income levels. The purpose of the Core Curriculum Standards Aid is to provide school districts with adequate State assistance that is proportionate to their ability to pay. The purpose of this type of aid is to ensure that all school districts have the economic ability to provide their students with the ability to achieve the Core Curriculum Content Standards. In addition to the Core Curriculum Standards Aid, CEIFA also provides per pupil assistance from the State for special education, early childhood programs, demonstrably effective programs, instructional supplement, bilingual education, county vocational schools, and distance learning network. For Fiscal Year 2018-2019, the school district received Equalization Aid (formerly known as Core Curriculum Standards Aid) in the amount of \$270,661,365.

Another form of aid that is provided by CEIFA is school facilities aid. During the 1997-1998 fiscal period, this type of aid was provided to those school districts that qualified for aid under the QEA. The amount of school facilities aid that the State provided during the 1997-98 fiscal year was determined by the amount budgeted in the approved State budget.

Beginning in the 1998-99 fiscal year, State aid for school facilities was supposed to consist of a ratio that divides (i) the amount of debt service or the amount of facilities rent for lease terms that exceed five years required to be budgeted for a fiscal period into (ii) the costs that are approved by the New Jersey Department of Education for a proposed building or renovation project. The approved facility costs under CEIFA have not yet been determined. CEIFA required the governor to submit to the legislature 60 days prior to the 1998 budget address, criteria for determining approved facilities costs, State support levels, and maintenance incentives applicable to the 1998-99 fiscal period. The Legislature enacted and the Governor signed into law the Educational Facilities Construction and Financing Act ("EFCFA"), constituting Chapter 72 of the Pamphlet Laws of 2000, effective July 18, 2000. That law provides full funding for qualified costs of facilities required for Abbott Districts and funding for qualified costs of facilities for all other districts in an amount equal to the ratio between their core curriculum facilities aid and their T&E budget times 115% or 40% of the qualified costs, whichever is greater. In lieu of debt service aid, school districts may receive grants for the State share of the project and authorize bonds only for the local share of the project. School districts may receive debt service aid under that formula for certain projects begun prior to the

effective date of the law. On December 28, 2000, a Complaint was filed in the Superior Court of New Jersey challenging the authority of the Economic Development Authority under the State Constitution's Debt Limitation clause to issue bonds secured by a contract with the State Treasurer, the funding of which is subject to annual appropriation, and requesting that the Court grant an injunction restraining the State and the New Jersey Economic Development Authority from issuing bonds to fund the State's financial obligation under the Educational Facilities Construction and Financing Act. On January 24, 2001, the Superior Court of New Jersey granted the State's motion to dismiss the case as a matter of law. The Plaintiff filed a notice of appeal on February 5, 2001.

CEIFA also limits the amount school districts can increase their annual current expenses and capital outlay budgets. Generally, these budgets can increase by either 3% or the consumer price index, whichever is greater. Budgets can also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceed \$40,000 per pupil. Waivers are available from the Commissioner based on increasing enrollments and other fairly narrow grounds or by approval of the voters at the annual school election.

Under CEIFA, rent payments made pursuant to a facilities lease purchase agreement for a term that exceeds five years are treated as debt service. Such rent payments are not included in the spending limits and receive aid at the same level as debt service. Rent payments under a facilities lease with a term of five years or less are budgeted in the general fund and are subject to a school district's spending growth limitation amounts under CEIFA.

On May 14, 1997, the New Jersey Supreme Court held that CEIFA is unconstitutional as applied to the 28 special needs districts because (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. The Court recognized the Core Curriculum Standards as a valid means of identifying what is a "thorough and efficient" education under the State Constitution, but found that the State did not adequately determine or provide the adequate funding level to allow those standards to be met in the special needs districts. CEIFA was not held unconstitutional as applied to the non-special needs districts. The School District is not a special needs district.

The Court ordered the State (1) to increase State aid to the special needs districts for the 1997-98 school year to a level such that the per-pupil expenditure in such districts is equivalent to the average per-pupil expenditure in wealthy suburban districts, (2) through the Commissioner, to manage the additional spending to assure that it will be used to allow the students to meet the educational content standards and (3) under the supervision of the Superior Court, Chancery Division, to determine a plan to provide supplemental educational and facilities programs in the special needs districts.

Provisions for the additional amounts of money were appropriated in the 1997-98 State budget. The Court has ruled that the Commissioner and the State Department of Education will be responsible for maintaining the educational system in accordance with the orders of the Court.

In response to the Court's order and in an attempt to remedy inadequacies that exist in the safety, the quality and the utility of state-wide school facilities, the New Jersey Legislature enacted the EFCFA. See "Summary of Educational Facilities Construction and Financing Act" herein. The EFCFA provides certain levels of funding for facilities' improvements for both special needs and non-special needs districts. Under EFCFA, special needs districts will receive State funding of 100% of the eligible costs of a school facilities project. The State will provide non-special needs districts with facilities aid of at least 40% of the eligible costs of a school facilities project. A non-special needs district must elect to receive its level of facilities aid in either the form of a grant or ongoing annual debt service aid.

On June 27, 2001, the Superior Court of New Jersey, Appellate Division, affirmed the trial court's decision that no public referendum is required for the State's bonds under the EFCFA. By a 2-to-1 majority, the Appellate Division held that the Debt Limitation Clause of the State Constitution is not violated by the EFCFA. On appeal, the New Jersey Supreme Court held that the EFCFA and its provisions authorizing the EDA's issuance of bonds do not violate the Debt Limitation Clause of the State Constitution.

On June 24, 2004, the Legislature enacted amendments to CEIFA, which amendments impose strict limits on annual increases in their operating budgets. Commencing with the 2005-06 school year, boards of education will be required to submit proposed budgets in which the advertised per pupil administrative costs do not exceed the lower of (i) the prior year per pupil administrative costs for the district's region inflated by the greater of 2.5% or the "cost of living" (defined as the average annual increase in the consumer price index for the New York City and Philadelphia areas) and (ii) the district's per pupil administrative costs, increased (by up to the greater of 2.5% or the cost of living) by such additional costs as may be approved by the Commissioner of Education due to increases in enrollment, administrative positions necessary as a result of mandated programs, administrative vacancies, nondiscretionary fixed costs, and such other items as may be permitted by regulation (provided, that for the 2005-06 school year the amount in clause (ii) shall instead be the per pupil administrative cost limits for the district's region as determined by the Commissioner of Education). Various existing limitations on budget increases were amended from the greater of 3% or the consumer price index to the greater of the cost of living or 2.5%. Under this amendment, proposals to exceed these limits cannot (i) include any new programs and services necessary for students to achieve the thoroughness standards established pursuant to CEIFA, (ii) include any programs or services that were included in the prior year's budget unless approved by the Commissioner, and (iii) be submitted to the voters or the board of school estimate if the county superintendent of schools determines that the district has not implemented all potential efficiencies in the administrative operations of the district. This bill also reduces the amount of surplus that may be maintained by a school district from 6% to 2% (2% for the 2005-06 school year) of the general fund balance.

### **Summary of Federal Aid to School Districts**

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended by the Improving America's Act of 1994 is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Title I Aid. Federal aid is generally received in the form of block grants.

### **Welfare**

The State pays the entire nonfederal share of Medicaid. As of July 1, 1991, the State also assumed one hundred percent of the costs of the nonfederal share of federal welfare programs managed by County governments and one hundred percent of the costs of General Assistance, the program of financial aid to needy people who are not otherwise provided for under New Jersey Laws that is managed by municipalities. Thus, New Jersey municipalities have no financial obligation for these programs.

As of January 1, 1999, the City consolidated the General Assistance Program into the County's Welfare Program, as permitted by State Law, and has retained its case records per State mandate.

### **Transit**

The subsidization of public mass transit is the responsibility of the State. Municipalities are not required to make financial contributions.

### **Higher Education**

The State subsidizes the system of State colleges and universities, with no municipal financial obligation. County colleges are supported by county governments with State assistance. Municipalities have no financial responsibility for the county college system.

### **Medical Care Services**

The Jersey City Medical Center, which is an established New Jersey not-for-profit medical and health care corporation, provides certain hospital and medical care services for persons residing in the City and in the adjacent communities. For many years, the City provided direct and indirect financial assistance to the Jersey City Medical

Center. The several agreements and programs have generally been consolidated. The City assisted the Jersey City Medical Center in the development and construction of a new hospital and medical care facility located at Grand and Jersey Avenues in the City. The City made a capital contribution of \$12,000,000 for the acquisition of the real property for the new hospital and for certain preliminary development expenses. This contribution was funded through the issuance of serial bonds. The new medical center has an obligation to provide hospital and certain medical care services for all persons residing in the City regardless of their ability to pay. The operating and debt service expenses for the new facility are being met through Federal and State health care payments and third-party reimbursements.

## **CITY EXPENDITURES**

The City has historically spent the largest percentage of its operating budget on public safety and statutory expenditures. For Calendar Year 2018, appropriations for public safety personnel equaled 30.38% of the budget and statutory expenditures were 6.70% of the budget as adopted. The remaining 43.78% of the municipal budget was appropriated for the legal, financial and administrative management of the City, and the provision of public works, human resources, recreation and housing and development services and programs.

## **CAPITAL IMPROVEMENT PROGRAM**

The City maintains and continuously reviews a six-year program for capital improvements. Priority within the program is given to the maintenance of the existing infrastructure, to completion of projects under construction and to projects deemed necessary to the economic strength of the City. For the calendar years 2018 to 2023, inclusive, the City expects to appropriate approximately \$35 to \$45 million annually for capital projects for the City. The City anticipates the funding of these projects to be provided through the future sale of notes or bonds and grant programs.

Major projects of the general capital program of the City for the calendar years 2018 to 2023, inclusive, are: acquisition of new fire apparatus and public works equipment and machinery; continued development of recreation facilities building reconstruction; acquisition and installation of new computer systems; street resurfacing and widening; construction of a new police precinct building; construction of a new fire house and improvements to public libraries. The City estimates that its funding needs to meet general capital improvement program objectives for the six-year period will be \$209 million. The City is also making major infrastructure improvements, including the construction of new roads in connection with major development projects in the City. See "CITY ECONOMIC AND DEMOGRAPHIC INFORMATION" and "ECONOMIC DEVELOPMENT" herein. Many of these projects will be financed primarily through direct developer contributions or local improvement assessments.

## **THE WATER SYSTEM**

### **Background**

Prior to the reorganization of the Municipal Utilities Authority, the City operated the Water System as a self-liquidating utility within the City's budget. The City determined that it was in the best interest of the users of the Water System to reorganize the Jersey City Sewerage Authority as the Jersey City Municipal Utilities Authority to operate both the Sewerage System and the Water System, creating economies for both systems. On January 15, 1998, the Municipal Utilities Authority assumed the operation, maintenance and management of the Water System, subject to the short-term private operating agreement then in existence between the City and United Water. The agreement with the MUA was subsequently amended and extended to run through December 31, 2027 in order to better plan for long term improvements and operations. The City will continue to be responsible for the financing of all extensions and improvements to the Water System, but the Authority has assumed the responsibility for the payment of debt service on any future bonds issued by the City for such purposes as well as the responsibility for payment of debt service on the outstanding bonds of the City issued to finance the Water System. Debt service on the First Lien City Water Obligations has previously been paid from revenues collected by the City in connection with the use of the Water System.

## **General Description**

The Water System consists of five major components, impoundment, water treatment facilities, water transmission facilities, water distribution facilities and land. Much of the Water System is located outside City limits. All of the water for the City is supplied by the Boonton Reservoir which is located in the Town of Boonton and the Township of Parsippany-Troy Hills, Morris County, New Jersey. The Splitrock Reservoir, located in the Township of Rockaway, Morris County, New Jersey is an emergency source of water. A water treatment plant, located next to the Boonton Reservoir was completed in 1978. The water treatment plant capacity is 80 million gallons per day ("MGD"). Its current peak usage is 60 MGD while its average usage is 45 MGD and its safe yield is 56.8 MGD. Water is conveyed from the Boonton Reservoir by an extensive gravity piping and tunnel system, approximately 23 miles in length, to the City's Reservoir Tank at the end of Troy Street in the City. The distribution system consists basically of the Troy Street Pump Station and adjacent Reservoir Tank and the piping network that supplies water throughout the City. Each residence or apartment unit and business concern in the City must be connected to the Water System. The City owns over 2,500 acres of land related to the Water System.

United Water is responsible for the full operation of the Water System under a contract with the MUA expiring March 31, 2018, and currently bills all of the users of the Water System. The City has estimated that economic benefits will be derived from the privatization of the operation of the Water System over the term of the contract with United Water (which ends in 2018) due to the sale of excess water to United Water, anticipated savings in costs of operations, anticipated increases in revenues from the Water System due to repairs of leaking pipes, and improvements in billing and collection. Upon expiration of the current contract with United Water, it is expected that the Authority will use its resources and personnel to operate the Water System or enter into a similar short-term private operating agreement. The Authority does not expect that, after the expiration of the operating contract with United Water, the cost to the Authority of either operating the Water System or entering into a similar short-term operating agreement will be significantly greater than the annual service fee currently paid by the MUA to United Water.

## **Water Rate Covenant**

Under the terms of the Water System Service Contract, the Authority has covenanted to make, impose, charge and collect Water Service Charges in each fiscal year in accordance with the provisions of the Act so that Water Revenues for each fiscal year will be at least sufficient to pay (a) Water Operating Expenses in such fiscal year, (b) all interest on and principal of all Water Bonds and the City Water Bonds (as defined in the Water System Service Contract) as the same shall become due and payable without recourse to or withdrawal from the Water Bond Reserve Fund, (c) payments to the City required under the Water System Service Contract, and (d) all other amounts that are required to be paid pursuant to the Water System Service Contract. Water Revenues include any excess sewer revenues anticipated to be available for deposit in the Water Revenue Fund established by the Water System Service Contract.

## **PENSION FINANCING**

Substantially all City employees who are eligible for pension coverage are enrolled in either a State or City administered retirement plan.

### **State Plans**

The three State-administered plans are the Public Employees' Retirement System, the Consolidated Police and Firemen's Pension Fund and the Police and Firemen's Retirement System. The Public Employees' Retirement System includes all non-uniformed City employees who are not eligible for enrollment in the City's Municipal Employees' Pension Fund. The Consolidated Police and Firemen's Pension Fund includes uniformed employees who were employees before 1944, while the Police and Firemen's Retirement System enrolls all uniformed employees who began employment after 1944.

The Division of Pensions in the State Department of Treasury administers the plans and charges municipalities annually for their respective contributions. The charges are based on actuarial valuations. The City pays such charges on a monthly basis.

### City Plans

All permanent City employees who are age 39 or younger when commencing employment with the City are required to enroll in the Employees' Retirement System of the City as of date of hire. All temporary employees who are age 39 or younger when commencing employment with the City are required to work one year before they are enrolled in the Employees' Retirement System of the City which is administered by a Pension Commission consisting of the Mayor, Chief Financial Officer, two elected employee representatives, and one appointed citizen member. Buck Consultants an ACS Company, serves as consulting actuary ("Actuary") for the system. In its latest report dated January 1, 2016, the Actuary reported:

GASB Statement No. 27 only requires valuation be performed every two years. The Annual Recommended Contributions payable for calendar years 2018 and 2017 are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Normal Contribution <sup>(1)</sup>	\$ 1,960,669	\$ 1,734,467
Accrued Liability contribution	<u>7,162,390</u>	<u>7,459,249</u>
Total contribution	<u>\$ 9,123,059</u>	<u>\$ 9,193,716</u>

<sup>(1)</sup>The Normal Contribution amounts are 5.23% of estimated salaries of \$37,488,883 and \$34,758,847 for the 2018 and 2017 calendar years respectively. The actual normal contribution to the trust should be 4.99% of Actual salaries for each year.

Three other City pension plans are not maintained on an actuarial basis, but the City appropriates funds annually as required to provide benefit payments for the year. The plans are Employees' Non-Contributory Pension, Pensioned Employees and Payments to Widows and Dependents – Members of Police and Fire Departments.

In December 1996, the City received a bill from the Police and Firemen's Retirement System (PFRS) for approximately \$18,500,000 to pay for accrued pension liability due to an early retirement incentive program established in 1994. Legislation (P.L. 2002, c.42) was enacted that permitted the City to sell refunding bonds pursuant to the Local Bond Law to retire the present value of the unfunded accrued liability to PFRS. With an approval from the Local Finance Board, the City financed said liability through the issuance of \$23,595,000 Pension Obligation Refunding Bonds Series 2003A dated January 15, 2003 (Federally Taxable) and \$17,456,000 Pension Obligation Refunding Bonds Series 2003B dated March 15, 2003 (Federally Taxable).

The following table shows the City's contributions to the respective pension systems for the last five years.

**City Contributions to Employee Pensions**

	<b><u>December 31, 2018</u></b>	<b><u>December 31, 2017</u></b>	<b><u>December 31, 2016</u></b>	<b><u>December 31, 2015</u></b>	<b><u>December 31, 2014</u></b>
<b>State of New Jersey</b>					
Public Employees' Retirement System	\$4,322,216	\$4,070,903	\$3,796,490	\$2,767,829	\$2,157,151
Consolidated Police and Firemen's Pension Fund	58,994	58,994	58,994	46,592	46,544
Police and Firemen's Retirement System of New Jersey	42,235,796	38,879,673	38,097,772	34,790,479	33,941,159
<b>City of Jersey City</b>					
Municipal Employees' Pension Fund	9,054,000	9,054,000	8,841,332	7,782,323	7,500,558
Employees Non-Contributory Pension (R.S. 43:8 B-1)	230,000	230,000	260,000	246,020	220,800
Pensioned Employees (R.S. 43:4-1)	64,740	64,740	59,735	65,000	69,600
Payments to Widows & Dependents-Members of Police & Fire Depts.	<u>779</u>	<u>779</u>	<u>779</u>	<u>780</u>	<u>720</u>
<b>TOTAL</b>	<b><u>\$52,359,089</u></b>	<b><u>\$52,359,089</u></b>	<b><u>\$51,115,102</u></b>	<b><u>\$45,699,023</u></b>	<b><u>\$43,936,532</u></b>

Source: Derived from the Calendar Year 2014-2017 Audited Financial Statements of the City and 2018 Unaudited Annual Financial Statements of the City.

**Post-Employment Benefits**

The City provides eligible retirees with medical, prescription drug and life insurance benefits. Based on an assumed discount rate of 4.50%, as of June 30, 2015 the Unfunded Actuarial Accrued Liability for such post-employment benefits was \$976,949,569, and the Annual Required Contribution was as follows:

Normal Cost	\$35,135,265
Annual Amount Toward Unfunded Actuarial Accrued Liability	<u>57,393,724</u>
Annual Required Contribution	\$92,528,989
Less: Actuarial Determined City Contribution (Estimated)	<u>26,167,422</u>
Net Increase	\$66,361,567

**INSURANCE**

**Insurance Fund Commission**

The Jersey City Insurance Fund Commission was established in 1984 pursuant to N.J.S.A. 40A:10-1, *et seq.* The members of the Commission are the City's Business Administrator (who serves as Chairperson) and two

members of the Municipal Council. All insurance upon property owned or controlled by the City or any of its departments, boards, agencies or commissions, is required to be placed and effected by the Commission. The powers of the Commission are statutory and include the power to invest the funds and all additions and accretions thereto in such securities as they shall deem best suited for the purposes of the statute; keep on hand at all times sufficient money, or have the same invested in such securities as can be immediately sold for cash, for the payment of losses to any buildings or property of the City, or liability resulting from the operation of publicly owned motor vehicles, equipment or apparatus; and fix reasonable rates of premium for all insurance carried by the insurance fund, and shall effect all insurance in the insurance fund or with any insurance company or companies authorized to do business in this State.

## **LITIGATION**

### **General**

The City, its officers and employees are defendants in a number of lawsuits including, but not limited to, lawsuits arising out of alleged torts, alleged breaches of contract and alleged violations of civil rights. The City is also engaged in activities, such as police protection and public works construction, which could result in future litigation with a possible significant monetary exposure to the City.

Based upon the information available to date, it does not appear that any individual lawsuit or the cumulative effect of these lawsuits will impair the City's ability to pay any judgments or settlements in an orderly manner, since the likelihood is that the amount of any judgments and eventual settlements will be much less than the amount claimed, and payments can be spread over two or more fiscal years. Because many lawsuits are still in the discovery stage, the Corporation Counsel is unable to determine the probability of a successful defense to them at this time.

The City self-insures against tort claims, which include general liability, automobile liability, employment practices, public officials and police professional and workers compensation lawsuits. The self-insured retention depends upon the date of incident and which of two excess policies provides coverage.

### **Pending Litigation**

The following information has been compiled as of May, 2019. The cases listed below have a potential monetary exposure in excess of \$500,000.00.

#### Valerie Montone v. Jersey City Police Department et al.

This federal lawsuit involves allegations by a retired police sergeant that the defendants (former Mayor Healy and former Chief of Police Troy) did not promote her because of her political affiliation and gender. This matter has been litigated in state and federal court. After discovery, summary judgment was granted to the Jersey City defendants on both the state and federal causes of action; however, the plaintiff appealed the matter to the Third Circuit Court of Appeals. The Third Circuit reversed the district courts holding and remanded the matter to the lower court. On April 16, 2017, this matter was tried. The jury awarded plaintiff approximately \$280,000 in loss wage damages. The City intends on filing an appeal.

#### Astriab et al v. City of Jersey City.

This lawsuit is the companion case to the Montone matter. In this case, eight other sergeants allege that because Montone was wrongfully not promoted to Lieutenant, they could not be promoted since they were behind her on the promotion list. With regard to damages, they claim they are entitled to the difference in pay and benefits between what they would have received if they had been promoted and what they actually have received, including pay, benefits and pension contributions/value. These claimed damages continue to accrue as the case proceeds. This matter has the same procedural history as the Montone case. After the trial in this matter, the jury awarded the plaintiff's approximately \$2,000,000 in damages. The City intends on filing an appeal.



212 Marin Blvd. v. City of Jersey City (Sixth Street Embankment cases).

Various lawsuits brought by several entities regarding the property known as the Sixth Street Embankment. The alleged owners contend that the City has interfered with their development rights and violated their constitutional rights. These matters have been pending for several years despite numerous attempts to achieve a settlement. The City continues to defend against all claims.

Bruno v. City of Jersey City.

This matter involves claims for wrongful death and personal injury. Plaintiffs allege in their complaints that on July 27, 2012, co-defendant Frederico Bruno illegally entered their apartment located at 110-112 Rutgers Avenue, Jersey City. Mr. Bruno waited for Ms. Figueroa, Ms. Calderon and infant Damien Rose Bruno to arrive. Upon their arrival, Mr. Bruno violently attacked plaintiffs resulting in the death of Damien Rose Bruno, and bodily injuries to Ms. Figueroa and Ms. Calderon. Plaintiffs allege that the day before incident, Bruno appeared at a Jersey City police station to inquire about any open arrest warrants. Plaintiffs allege that Bruno had open warrants at the time, but was not detained. Plaintiffs allege that the Police Department failed to enforce the restraining order or act on the outstanding warrant. Trial started on August 7, 2017. At the conclusion of plaintiffs' case, the City was granted a directed verdict all claims. Plaintiffs have filed an appeal that is still pending. If plaintiffs are successful on appeal and a re-trial, exposure could surpass \$1,000,000.

Mays v City of Jersey City.

Plaintiff, the City's Deputy Tax Assessor, has brought a claim in federal court for race discrimination and retaliation. She also alleges a whistleblower claim under CEPA. Discovery is ongoing. Written discovery is complete, plaintiff has been deposed, and plaintiff's counsel has deposed approximately ten defense witnesses. If plaintiff is able to prove her claims at trial, she could obtain an award between \$200,000 - \$300,000 for her severe emotional distress, as well as an attorneys' fees award between \$250,000 - \$300,000.

MEPT v. City of Jersey City, et al.

In 2009, the City of Jersey City entered into financial agreements with MEPT Journal Square, LLC, MEPT Journal Square Tower North Urban Renewal, LLC, and MEPT Journal Square Tower South Urban Renewal, LLC (collectively the "Plaintiffs") for long term tax abatements (30 years) for the development of certain real property. The agreements were entered into pursuant to the appropriate ordinance and resolution. Plaintiffs agreed to and made a contribution to the City's Affordable Housing Trust Fund (\$710,769). Plaintiffs also entered into a Prepayment and Contribution Agreement under which the Plaintiffs agreed to and did prepay a certain amount of money (\$2 million) that was to be credited against the service charges to be collected over the first four years following completion of construction of their projects. Approximately six years after the financial agreements were executed, Plaintiffs abandoned this project and sold the property. Indeed, the Plaintiffs failed to develop the property as originally intended. In 2015, Plaintiffs filed this declaratory action seeking the refund of the prepayment and the Affordable Housing Trust Fund payment for a total sum of \$2,710,769. On December 4, 2015, Plaintiffs moved for a summary proceeding for a declaratory judgment under N.J.S.A. 2A:16-50 in order to have all monies refunded to them. On October 4, 2016, the court entered an order of judgment in favor of the Plaintiffs directing the City to pay \$2,710,769 to Plaintiffs. Shortly thereafter, the City moved for reconsideration of the court's order and this motion was denied. The City filed a notice of appeal. The appellate division partially reversed the trial court, and lowered the amount owed to approximately \$2,000,000. We have filed a petition for certification to the Supreme Court.

Estate of Gonzalez v Jersey City

On August 8, 2014, officers Tucker and Hashmi were dispatched to assist Hiram Gonzalez whose vehicle was disabled. Thereafter, the officers arranged for the car to be towed and begged Mr. Gonzalez to allow them to drive Gonzalez to a safer area with less traffic but Gonzalez refused. Dispatch then ordered the officers to resume patrol. Approximately 1 hour later, Gonzalez was hit by a vehicle driven by one of the co-defendants and died. Plaintiff alleges Gonzalez was drunk at the time Officers Hashmi and Tucker assisted him and the officers' failure to

drive Gonzalez to a safe area resulted in Gonzalez's death. The court granted summary judgment in favor of the City. Plaintiff has appealed and the appeal is pending. Because this is a wrongful death action, the city's exposure could well exceed \$500,000.

Estate of Lavon King v. City of Jersey City, et al.

In this matter, a Jersey City police officer fatally shot decedent after he tried to disarm the officer. Plaintiffs contend that the officer unnecessarily used excessive force in violation of the decedent's constitutional rights. The City contends that the officer used reasonable force. If plaintiff succeeds, exposure could surpass \$500,000.

Oliver/D'Onofrio v Jersey City, et al

While crossing the street on October 23, 2015, decedent Ralph D'Onofrio was hit by a vehicle driven by one of the co-defendants (Musa). D'Onofrio was transported to Jersey City Medical Center and died approximately 3 days later. Plaintiff alleges that the street lights were not working at the time of the accident and caused the driver to hit Mr. D'Onofrio. Because this is a wrongful death matter, the city's exposure may exceed \$500,000.

O'Donnell v NJ Turnpike

On February 22, 2016, decedents were driving in the City of Jersey City and were hit by another vehicle operated by defendant Scott Hahn who at the time had not slept for 26 hours and was under the influence of Adderall. A witness allegedly saw Mr. Hahn stop at a gas station and confer with a Jersey City police officer moments before the accident. Plaintiff alleges that the police officer had a duty to stop Hahn from driving and that the breach of this duty resulted in the fatal accident. Because there are two dead victims, exposure in the case could well exceed \$500,000.

Feliz-Rodriguez v. City of Jersey City, et al.

On June 4, 2017, members of the JCPD were involved in a motor vehicle pursuit. During the pursuit, the vehicle being pursued crashed into plaintiff's vehicle causing both vehicles to engulf in flames. Plaintiff sustained severe burns to his body. In addition, plaintiff claims that as he exited his vehicle, he was attacked by members of the JCPD. Plaintiff has brought suit against the City and numerous police officers for an assortment of negligence and civil rights claims. Because of the alleged injuries, the city's exposure may exceed \$500,000.

328 Montgomery v. City of Jersey City

This federal court matter arises out of a dispute concerning the development of certain real property located at 328 Montgomery Street. The plaintiff contends that the City, the Planning Board a several individual defendants engaged in conduct intentional, arbitrary and capricious conduct to prohibit the plaintiff from obtaining approval from the Planning Board and the Historical Preservation Commission in order to prevent plaintiff from developing and otherwise operating the Property. As such, plaintiff has asserted various claims including violations of due process. The relief sought is approval from the planning board along with a temporary certificate of occupancy so that plaintiff and its tenant can utilize the Property. Although they have made general demands for financial relief, they have not specified the amount and simply suggest that the defendants may be liable for financial damages incurred by their tenant who cannot operate their business. We are currently preparing a motion to dismiss.

Cal Harbor S. Pier v. City of Jersey City

This New Jersey Superior Court matter arises out of a contract dispute concerning a loan from the City to the plaintiffs. In particular, in or about August 2000, the City entered into a loan agreement with HUD wherein HUD agreed to loan approximately \$8 million plus interest to the City. Thereafter, the City entered into separate agreements with the plaintiffs wherein the City loaned the money it received from HUD to the plaintiffs with interest. In 2011, the City refinanced its loan with HUD thereby reducing the interest rate. The interest rate on the loan from the City to the plaintiffs remained the same as per their original agreement in 2000. In 2016, the plaintiffs

fully paid the loan and thereafter learned that the City had refinanced its loan with HUD in 2011. Plaintiffs assert a breach of the 2000 loan agreement and allege they overpaid approximately \$1.4 million in interest on the loan and seek reimbursement of same. Plaintiffs claim that the interest rate on the loan between the City and the plaintiffs should have been reduced in 2011 to the same interest rate the City received when it refinanced its loan with HUD. While this matter was only recently filed, a review of the contracts and limited materials obtained from HEDC do not contain any express statements which demonstrate that the interest rate on plaintiff's loan should have been reduced in 2011. Furthermore, we recently conferred with bond counsel who opined that they did not believe plaintiffs' claims had merit. Prior to commencing this suit, plaintiffs filed demands for documents under OPRA and the complaint includes a claim under OPRA for counsel fees. The potential exposure of liability to the City is approximately \$1.4 million in damages plus counsel fees.

#### 500 Summit v City of Jersey City

This federal court case arises out of a dispute concerning a real estate development project located at 500 Summit Avenue. The primary allegations asserted by the plaintiff is that their General Development Application be deemed complete and acceptable because they claim that the Planning Board failed to properly respond to this application within the 45 day period prescribed under state law. As such, plaintiff has asserted claims for wrongful withholding of a construction permit, tortious interference with business opportunity and civil rights violations. While plaintiffs included a demand for monetary and punitive relief as well as counsel fees, no specific amount has been identified.

#### One Journal Square v. City of Jersey City

This federal action arises over a dispute regarding the development of certain real property in the City of Jersey City. In 2014, MEPT transferred the subject property. Thereafter, plaintiffs' contend, for the next three to four years, plaintiffs and the defendants worked together in furtherance of the redevelopment of the property as demonstrated by approvals from the Planning Board and JCRA along with the entry into a redevelopment agreement. Plaintiffs allege that they spent approximately \$55 million in acquisition and development costs. Plaintiffs contend that the City breached the redevelopment agreement by, among other things, denying plaintiffs' application for a tax abatement and declaring the plaintiffs to be in default of the redevelopment agreement. Plaintiffs contend that the actions of the City and the Mayor are politically motivated. In the complaint, plaintiffs allege numerous claims including breach of contract, breach of the covenant of good faith and fair dealing, promissory estoppel and civil rights violations. Plaintiffs claim that they have suffered damages in the amount of \$300 million for a total of \$355 million. Plaintiffs seek counsel fees and punitive damages.

#### Michael O'Neill, et al. v. City of Jersey City

This is a claim, which is not currently in litigation, that involves three (3) Jersey City Police Officers that were acquitted of criminal charges that related to conduct that allegedly occurred while performing duties as a police officer. These officers were suspended without pay between being indicted and their acquittals, which was a period of approximately 2 ½ years. Pursuant to two (2) New Jersey statutes, these officers are seeking: (a) back pay and benefits as well as other emoluments of their employment during the time of the suspension without pay and (b) legal fees incurred as a result of hiring criminal defense attorneys to defend against the charges. The combined value of all claims of these 3 officers could exceed \$700,000.

#### Chesler, et al vs. City of Jersey City, et al.

This case involves employment-related causes of action (discrimination, retaliation, violation of civil rights, etc.) brought by two (2) supervisory-level Jersey City police officers against the City and several individual defendants. The 2 Plaintiffs in this case are among the 3 officers in the above mentioned criminal case. During the period while the criminal charges were pending, the civil case was administratively terminated by the federal court. However, we expect that the Plaintiffs will soon reactivate the case in light the termination of the criminal case – and perhaps add additional defendants and causes of action. Although the City intends to vigorously defend the case, the value of these claims could exceed \$700,000 due to the procedural history of this case, including the acquittals in the criminal case.

During the calendar years 2014 through 2018, the City paid the following amounts in judgments and settlements:

<u>Year</u>	<u>Amount Paid*</u>
CY 2018	\$863,762
CY 2017	482,769
CY 2016	2,348,280
CY 2015	1,181,928
CY 2014	1,460,362

\*Source: Jersey City Insurance Fund Commission

### **Environmental Issues**

There are many privately and governmentally owned parcels of real estate in the City containing various levels of environmental contaminants. With respect to privately owned real estate, the City, State and Federal health and safety officers have undertaken and continue to compel compliance by the owners with the existing regulations. The City aggressively uses its building inspectors and health officers to monitor and compel abatement of harmful environmental hazards. With respect to environmental contamination which does not pose an immediate or substantial public safety or health issue, the City is increasingly using local business incentives to stimulate previously dormant property for conversion to useful economic initiatives including the removal of environmental contaminants. The City itself monitors its own real estate and has undertaken and is currently performing building and facility improvement programs to remove all violations of Federal, State and City environmental regulations.

### **CITY ECONOMIC AND DEMOGRAPHIC INFORMATION**

The City is New Jersey's second largest municipality with a population of 247,597 according to the United States Department of Commerce's 2010 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York – Northern New Jersey metropolitan area.

The City's land area is 15.8 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multi-family development over the past ten years. The City is connected to New York City by the Holland Tunnel and the PATH railroad tubes and is within ten miles of Newark International Airport and the container and cargo facilities of Port Newark-Elizabeth. The City's size and current development activity cause it to dominate the economy of the County (the Jersey City Labor Area). The City also serves as the seat of the County government. Of the approximately 275,000 persons employed in the County, approximately 43% are employed in the City.

### **Population**

The City had experienced a population decline from 1970 through 1980, however due to increased residential housing developments, the population has shown a trend toward increasing.

#### **Population Trend (Calendar Year)**

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2010	247,597	634,266	8,791,894
2000	240,055	608,975	8,414,350
1990	228,537	553,099	7,730,188
1980	223,532	556,972	7,364,823
1970	260,545	609,065	7,192,805

Source: U.S. Bureau of the Census: Censuses of Population and Housing.

## School Enrollment

### Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2018-2019	29,589	+8.27%
2017-2018	27,330	-1.25%
2016-2017	27,672	-.44%
2015-2016	27,794	-2.75%
2014-2015	28,562	-4.50
2013-2014	29,909	4.50
2012-2013	28,621	2.65

Source: Jersey City Public Schools: [www.jcboe.org](http://www.jcboe.org)

## Residential Dwelling Units

Most of the housing stock in the City was constructed in the first half of the twentieth century, primarily for renter-occupied use.

### Housing Characteristics

Owner Occupied	28,888
Total Units .....	110,140

Source: U.S. Bureau of the Census: American Community Survey 2014

## Employment

### Labor Force - The City of Jersey City

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Percent (%) Unemployed</u>
2018	138,953	133,240	4.1%
2017	141,438	134,950	4.4%
2016	140,500	133,800	4.8%
2015	140,658	133,184	5.3%
2014	139,551	130,539	6.5%
2013	138,427	127,195	8.1%
2012	139,531	127,018	9.0%

Source: New Jersey Department of Labor, Office of Labor Planning and Analysis-2012-2018.

## Overview of Jersey City

Founded in 1630 and incorporated in 1820, Jersey City once served as a shipping, manufacturing, and rail transportation hub. Home to Ellis Island, Jersey City has served as the gateway to the United States for millions of immigrants.

Today Jersey City is a vibrant and thriving city, where rail yards, factories, and warehouses have been transformed into parks, restaurants, shops, and modern skyscrapers. Seven of the ten tallest buildings in the state are

found in Jersey City, with construction recently starting on what will soon be the tallest building in the State and the tallest residential building in the western hemisphere outside of New York City. Jersey City residents and visitors enjoy spectacular views of the New York City skyline with miles of Hudson River waterfront. Jersey City's robust transportation infrastructure allows for easy access to New York City using the PATH train subway system, NY Waterway Ferries, or the Holland Tunnel. An expansive above-ground light rail system that opened in April of 2000 connects Jersey City to neighboring municipalities.

The 2010 Census population of Jersey City is currently 247,597 and the 2016 Community Survey estimates 264,152. From 2010 to 2016 the population of Jersey City increased by 10%. The vacancy rate for rental units in Jersey City decreased by 30.6% from 2000 to 2016. It has been growing steadily at a rate of 3-6 % since a low of 223,532 in 1980. According to estimates based on the United States Census Bureau American Community Survey, Jersey City will be the largest city in New Jersey by the end of 2016. At the present time, Jersey City has established itself as a leader in urban development within the State of New Jersey:

Downtown – 11,587 units approved  
4,534 units under construction, and 20,409 completed within the last 15 years

Journal Square – 8,927 units approved  
1,260 units under construction

Bergen Lafayette – 1,611 units approved  
856 under construction

West Side Avenue – 583 units under construction

In 2016 a total of 3,174 housing units were authorized by building permits according to the Department of Community Affairs.

## Employment

From January to December of 2017 Jersey City's unemployment dropped from 4.4% to 4.2%. The significant unemployment rate decrease is due to several large firms either relocating to Jersey City or expanding current operations within existing Jersey City facilities. JPMorgan Chase, RBC, Forbes, Imperial Bag, Nautica, and Ahold are some of the largest companies relocating or expanding Jersey City operations. Jersey City has also seen an increase in construction jobs with more than 4,000 jobs recently started or planned as part of approved upcoming projects.

Source: New Jersey Department of Labor and Workforce Development

### Largest Private Employers in Jersey City\*

<u>Employer Name</u>	<u>Total Full Time and Part Time Employees</u>
Goldman Sachs & Co. Inc.	3,782
Pershing LLC/Mellon Bank	2,000
ICAP Services North America LLC	1,796
JP Morgan Chase Bank	1,592
Citigroup	1,500
Computershare Investor Services, LLC	1,348
Deutsche Bank Trust Co. NJ Ltd.	1,200
Broadridge Information Service, Inc.	1,000
Insurance Service Office, Inc.	1,000
Fidelity Investments	1,000
Equitable Life Insurance Co.	816

Bank of Tokyo Mitsubishi Trust	800
IPC Acquisition Corp.	750
Lord, Abbet & Company	715
Brown Bros Harriman & Co.	700
Home Depot USA, Inc.	548
Ritter Sysco Food Service	529
Prebon Yamane (USA) Inc.	520
Daily News	500
Langer Transport Corp.	475

\*As reported to the State of New Jersey, January 2017. Does not include public employers, i.e. hospitals, schools, or other government agencies  
Source: Hudson County Economic Development Corporation, Jersey City.

## **Tourism**

Tourism is a growing industry for Jersey City with three new hotels (700 new hotel rooms) under construction. While Liberty State Park, Liberty National Golf Course, Ellis Island, and the Statue of Liberty attract millions of visitors each year, in 2014, Jersey City proudly hosted the Seattle Seahawks and Denver Broncos, their families, and many of their fans for the week leading up to the Super Bowl. Jersey City is also home to one of the largest 4<sup>th</sup> of July fireworks displays in the country.

## **Higher Education**

Jersey City is home to St. Peter's University, with an enrollment of approximately 3,400 students in 2015, and New Jersey City University, with an estimated enrollment of 8,200 students, both of which offer full and part-time undergraduate studies in liberal arts, business and the natural and social sciences. In addition, St. Peter's has graduate programs in education, nursing, accounting, and business administration and New Jersey City University offers a wide variety of graduate programs. Jersey City is also the home to Hudson County Community College, which offers entry-level occupational and career certificates and associate degrees to prepare students for employment and to upgrade existing skills. The Community College has an estimated enrollment of over 10,000.

Sources: Saint Peter's University Website: [www.saintpeters.edu](http://www.saintpeters.edu);  
New Jersey City University Website: [www.njou.edu](http://www.njou.edu);  
Hudson County Community College Website: [www.hccc.edu](http://www.hccc.edu).

## **Healthcare**

The Jersey City Medical Center, a voluntary not-for-profit hospital, moved to a new hospital facility in 2004 at a site on Grand Street and Jersey Avenue to replace the Medical Center complex built in the 1930s. The facility is currently operated by Liberty Health and is the region's "state designated trauma center" and the only hospital in Hudson County approved for open heart surgery. A new 5-story Medical Office Building was completed in 2010 and is fully leased, including the Cristie Kerr Women's Health Center. See "CITY INDEBTEDNESS AND DEBT LIMITS – Other City-Related Obligations" herein.

## **Economic Incentives**

Jersey City's Urban Enterprise Zone (UEZ) is one of the top performing zones in the state. It is comprised of approximately 1/3 of the city's total land acreage. Revenue from the UEZ Program has funded many development initiatives throughout the City, such as national and international marketing campaigns, special events, preservation, city beautification projects, CCTV program, job training, tourism ([www.destinationjerseycity.com](http://www.destinationjerseycity.com)), and business improvement and relocation grants. In the past, the City received approximately \$16.2 million annually to be used for various programs. However, the City has not received any funds since 2009 due to State budgetary constraints.

The Jersey City Economic Development Corporation manages and maintains business and employment support systems. Some of the benefits available to Jersey City UEZ-certified businesses are listed below:

- Reduced sales tax for certified retail businesses
- Employee tax credits for each UEZ municipality resident hired
- Jersey City Employment & Training Program
- City Beautification Program
- Closed Circuit TV Neighborhood Watch Program
- Customer Service Skills Center

Additionally, the JCEDC has expanded opportunities for local small business owners to access capital, through partnerships with private and non-profit lenders. The Jersey City Fund is a \$10 million dollar loan program targeting small businesses with small lending needs; the EDC also has a microloan program based on geographic location, meant to support businesses opening in the city's traditionally underserved neighborhoods.

### **The Hudson River Waterfront**

Recently dominated by the financial services industry, as more new skyscrapers with class A office space are constructed a more diverse workforce has developed.

Since the early 1980's, more than 18 million square feet of office space, and over 18,000 new residential units, and five hotels providing nearly 1,500 rooms have been completed. Redevelopment of the waterfront and nearby neighborhoods has been brisk, accelerating with the construction and opening of the Hudson Bergen Light Rail system. Plans for the redevelopment of formerly industrial land along Jersey City's waterfront currently include as much as 30 million square feet of office space and more than 35,000 new residential units.

The number of new residences authorized by building permits city wide, from 1995 through 2007, totals over 17,000 residences while and non-residential office space authorized by building permits exceeded 7 million square feet. The Newport Neighborhood is the largest single development on the Hudson River Waterfront. Built on 300 acres of abandoned rail yards at the edge of the river, this area now is home to 4,000 residential units and 14 residential towers, a park with a man made beach overlooking the river, the Newport Centre Mall, and a variety of office buildings.

Currently under construction but recently topped off, by 2019 completion of 99 Hudson is expected to become a permanent fixture in the Jersey City skyline. It will be the tallest building in Jersey City at 900 feet with 781 units.

### **The Hackensack River Waterfront**

The Hackensack River Waterfront is another powerful City resource whose value has only recently been re-discovered. The improved environmental quality of the Hackensack River and the return of water-related recreation to the river have helped to reinforce its value. The first signs of its rebirth include: the fully sold out Society Hill and Droyer's Point development, a 1,400 Dwelling unit condominium community; the establishment of Meadows Path which is a planned pedestrian walkway along the Hackensack River stretching from Bergen County to Bayonne; commitment by the County of Hudson to establish an extension to the county park system; the completion of the 9 hole Golf course within the Hackensack River Edge Redevelopment Area; implementation of the City homes at Westside Station loft style residential project within the Water Street Redevelopment Plan area; transformation of a 32-acre former federal superfund site into the "Marion Greenway" - Phase I involves the remediation and capping of the site for passive recreation and Phase II includes a 2000 foot waterfront walkway, soccer fields, jogging paths and an Environmental Center; implementation of the remediation plan and environmental clean-up of the 100 acre former Honeywell site for the creation of a mixed use new-urbanist neighborhood within the Bayfront I Redevelopment Plan Area. This development will include the creation of over 15 acres of parkland in the form of a bikeway, central greenway, new pedestrian-friendly streets and infrastructure, approximately 4,200 to 8,100 new dwelling units, 700,000 to 1 Million sq. ft. of office floor area, and 200,000 to 600,000 sq. ft. of retail space.

All this development is part of a larger plan for the Jersey City western waterfront known as the Bayfront Redevelopment Area. The study establishes the ground work for the creation of new-urbanist neighborhoods and



new streets to connect into the existing neighborhoods of Greenville. The Bayfront Redevelopment Plan anticipates the redevelopment of land both east and west of Route 440, the re-design of Route 440 through federal funding appropriated to Jersey City, and ultimately leading to the extension of the Hudson-Bergen Light Rail System roughly ¼ of a mile to the west in order to access the Bayfront 1/Honeywell Project and the Hackensack River.

The old Department of Public Works facility along the Hackensack River (Bayfront 1/Honeywell Project) will soon begin redevelopment into hundreds of residential units as well as retail shops and entertainment and dining options.

New Jersey City University has been in the process of a \$350 million expansion that includes 4 private residential buildings totaling 600 units, a new Shop-Rite, a new Center for the Arts, and a new 424 bed dormitory all on the 21 acre lot the University owns between Route 440 and West Side Avenue. It also includes the construction of 2 new streets, providing more efficient connection along West Side Avenue.

### **Journal Square**

Functioning as a major regional transportation hub, Journal Square encompasses the neighborhood surrounding the Journal Square PATH station and bus terminal, which provides access to New York City, Newark, Hoboken, and Harrison via the PATH subway train system and bus service throughout the region via 7 different bus lines. The first significant construction in Journal Square in decades is nearly complete with the first of three towers in the "Journal Squared" development project. Upon completion, this development will consist of a 54 story tower, a 60 story tower, and a 70 story tower. As of February 2016, there are 5,284 dwelling units, 195,055 square feet of office and 432,787 square feet of retail space approved for development in the Journal Square area. Under construction there are currently, 1,334 dwelling units, 70,070 square feet of office and 13,267 square feet of retail space to come on line within the next eighteen months.

The Loew's Jersey Theatre, a 3,000 seat "movie palace" originally opened in 1929, is a priority restoration project for Jersey City. The facility will soon undergo an extensive multi-million dollar renovation to restore the energy, glory, and full functionality to the theatre and to the neighborhood as a whole. AEG Live, the second largest event promotion company in the world, is planned to manage programming (along with partnerships with NJCU, Mana Contemporary, and a variety of community groups) and ACE Theatrical Group, the premiere theatre restoration company in the country, is planned to manage the construction and renovation of the facility.

The Jersey City Redevelopment Agency purchased the Pathside Building located at 25 Sip Avenue in Journal Square which is in the process of being transformed into the home of a new Jersey City Museum and Community Center.

On the periphery of the square is the adaptive re-use of the old American Can Factory. The CANCOloft project entails the creation of over 1,300 new loft style residential units and associated retail services. The new CANCOPark, completed in 2010, features an "orchard" of trees that is lit up at night by ground lighting, park benches, and a terraced layout. The park's perimeter is lined with bamboo shoots in raised planters. Manna Contemporary Fine Arts is truly a diamond in the rough with art exhibits almost every weekend. Several other smaller projects, like 25 Senate Place or the Kennedy Lofts at 100 Newkirk Street, continue to make this the new hip artist community in the New York Metropolitan region.

### **Transportation Improvements and Funding**

The City received federal high priority project funding for transportation access in the amount of approximately \$26 Million and the creation of an urban boulevard along Routes 440/1&9 Truck in the amount of \$1.8 Million.

North Jersey Transportation Planning Authority, (NJTPA) Area metropolitan Planning Organization awarded Jersey City the following grants:

- FY 2008-2009 Subregional Study Program grant for Update to the Circulation Element of the Jersey City Master Plan in the amount of \$250,000;
- FY 2010 – 2011 Subregional Study Program Grant co-sponsored with Hudson County for a Study to improve transportation connections between the Cities of Hoboken and Jersey City in the amount of \$300,000;
- FY 2012-2013 Subregional Study Program grant for the Liberty State Park Circulator Cost-Benefit Analysis in the amount of \$220,000;
- FY 2012-2013 Subregional Study Program grant for the Morris Canal Greenway Plan in the amount of \$220,000; and
- FY 2012-2013 Subregional Study Program grant co-sponsored with Hudson County for The Jersey City/Journal Square/Bayonne Bus Rapid Transit Study in the amount of \$250,000.
- FY 2019-2020 Subregional Study Program grant for Parking Management Plan in the amount of \$300,000.
- FY 2019-2020 Subregional Study Program grant for Parking Management Plan in the amount of \$300,000.
- Over \$1 million in FY 2012 Local Safety Program grants for pedestrian improvements along Summit Avenue.
- \$885,838 in FY 2016 Local Safety Program grants for safety improvements along Marin Boulevard.
- \$288,524 in FY 2016 Local Safety Program grants for intersection improvements at St. Pauls Avenue and Oakland Avenue.
- \$3.8 million in FY 2017 Local Safety Program grants for pedestrian safety improvements along West Side Avenue.
- \$2.6 million in FY 2017 Local Safety Program grants for pedestrian safety improvements along Sip Avenue.

NJ Transit has completed the Hudson-Bergen Light Rail 440 Extension Alternatives Analysis, which identified the extension of the HBLR from its current terminus at West Side Avenue station across Route 440 to a new station at the northern boundary of the Bayfront Redevelopment Plan area as a locally-preferred alternative.

#### **Miscellaneous Infrastructure Improvements and Public Amenities**

- The Exchange Place PATH station was renovated in 1990 at a cost of \$65,000,000. The PATH provides a 3-minute ride from Exchange Place to the World Trade Center Station. The Port Authority's \$1.3 billion project to replace PATH's entire 340 car fleet and to overhaul the PATH signal system thereby enabling a significant increase in the number of train movements while improving on-time performance and efficiency is underway, with the entire rolling stock upgraded between 2008 and 2012 and signal system enhancements still underway.
- The \$1 billion Hudson Bergen Light Rail Transit System (HBLR) launched operation on April 15, 2000. Since then ridership has steadily grown as the system expands further north and south. It now connects with Hoboken's Lackawanna Station, which is adjacent to Jersey City and is a hub for regional commuter train service. It also now connects to a new Park & Ride station on Tonnel Avenue in North Bergen that attracts commuters from Bergen County and other North Jersey locations, and which has been highly successful. Direct service is provided between the Park & Ride and the Jersey City waterfront employment center. A new extension to 8<sup>th</sup> Street in Bayonne opened in January 2011. Hudson County and Bergen County municipalities have urged NJTransit to expand the HBLR into Bergen County, with all municipalities with current or potential HBLR infrastructure passing resolutions in favor of this plan.

- Ferry service connects the Exchange Place/Paulus Hook, Hudson Exchange, Port Liberté and Liberty Harbor North areas to lower Manhattan, and also connects Exchange Place/Paulus Hook to 39<sup>th</sup> Street in Manhattan.
- The City has completed its renovations of the Owen Grundy Pier Park at the foot of Exchange Place. This is one of several significant public spaces that exist along the Jersey City Waterfront.
- The Hudson River Waterfront Walkway is advancing toward completion along the waterfront as development of properties adjacent to the waterfront continues. It is now possible to walk from the Goldman-Sachs tower at the south eastern corner of Paulus Hook and Downtown to the Newport area and into Hoboken. The Newport Walkway now connects to Hoboken at the Hoboken Train Station and Newport Associates Development Co. has completed "Newport Green" a Waterfront park at Fourteenth Street. The development of Veterans Park will include the critical portion of the waterfront walkway at the park's edges along the Hudson River and the Morris Canal.
- New Jersey Department of Transportation is in the process of the reconstruction of the 12<sup>th</sup> and 14<sup>th</sup> Street viaducts from Route 139 to Jersey Avenue. The next phase will be the reconstruction of Route 139. NJ DOT is planning to construct a new Wittpenn Bridge over the Hackensack River and a new St. Pauls Avenue Viaduct that will link the bridge to Route 139, Tonnelle Avenue, Route 1&9 Truck, and a proposed new road parallel to Tonnelle Avenue. NJDOT is also planning to build a bridge on Jersey Avenue across the Morris Canal to allow easier travel from downtown Jersey City into Liberty State Park, Bergen Lafayette, and other parts of the city. Currently only a small foot bridge exists.
- Capital Improvement, Federal Grant, and UEZ Funding have been pooled to finance the re-surfacing and beautification of Christopher Columbus Drive. This is the main and most visible travel route from the NJ Turnpike to downtown neighborhoods and the waterfront.
- Jersey City launched the CitiBike bike-share system in September 2015. Because CitiBike is the same system used in New York City, residents can now seamlessly integrate into the broader regional bike-share network across the Hudson River. As of March 2016, only six months after the programs launch, 75,000 rides had already been taken.

#### **Key districts and development areas within Jersey City**

**Hackensack River Edge Redevelopment Area.** The City Council adopted a redevelopment plan that encompasses a number of properties on the City's western waterfront, the redevelopment of which will include the remediation of the PJP landfill. An Urban Transit Hub tax credit package of \$34.6 million over ten years has been approved by the Board of the New Jersey Economic Development Authority which allowed Peapod and Ahold to utilize 344,000 square feet of the Pulaski Distribution Center, an 878,564 square foot warehouse recently completed along Route 1 & 9 by Prologis.

**Claremont Industrial Center.** West of Caven Point, the Claremont Industrial Center was developed on a 30-acre site by the New Jersey Economic Development Authority. Hartz Mountain Industries built and leased a 175,000 square foot warehouse for Walong Marketing, a food distributor and importer in the summer of 2002. Demand for warehouse space here dropped as the recession hit and the City responded by amending the Zoning to allow entertainment venues. In January 2011, "Pole Position Raceway" opened an 80,000 square foot facility featuring two quarter-mile tracks. The high-performing all electric karts can reach speeds of 45 miles per hour. The facility features a Tailgate Café, video and arcade games, meeting and party rooms, and an impressive display or racing memorabilia.

**Liberty Industrial Park.** In January 1996 construction was completed by the New York Daily News of a new 410,000 square feet printing plant. The Daily News has moved both their Brooklyn and Kearny operations to this new facility. The project represents a \$180 million investment by the Daily News. Sysco Food Services of Metro New York has renovated the former Allied/Sterns building into 345,000 square feet of freezer/warehouse

space. This project provides over 500 jobs. The total project cost was \$25 million, \$ 8 million of which was provided through the City and HUD by a Section 108 Loan.

**Port Jersey/Greenville Yards.** On the southernmost portion of the waterfront, the Port Jersey Corporation has developed 3,000,000 square feet for industrial distribution buildings since assuming control of the urban renewal project in 1969. The Corporation has invested \$150 million to date. The Port Authority of New York and New Jersey has constructed an imported automobile facility on its 80-acre portion of Port Jersey and on 65 acres of the Greenville Yards. Iron Mountain Information Management has leased 123,000 square feet at 100 Harbor Drive, providing more than 100 full time jobs. In addition, Summit Import Corp. and Preferred Freezer Services have recently opened warehouse facilities in Greenville Yards. Preferred Freezer is also undertaking building a second new facility freezer. Keystone Properties constructed two warehouse facilities consisting of over 500,000 square feet of available warehouse space.

**Jersey Eagle Sales Co.** A 100% minority owned business exclusively distributing for Anheuser-Busch in Hudson County has completed construction of a 70,000 square foot, \$4.5 million chilled warehouse and distribution facility, providing nearly 100 full-time jobs.

**Montgomery Industrial Center.** The 32-acre industrial park adjacent to **The Beacon** was developed by the New Jersey Economic Development Authority, which also makes development bond financing available to potential tenants. The firms in the Montgomery Industrial Center have created more than 300 construction jobs and 600 permanent jobs. Rajbhog Foods, makers of Indian bread, constructed a new plant with assistance from the New Jersey Business Employment Incentive Program and the New Jersey Local Development Finance Fund, and a \$50,000 relocation grant from the Jersey City Urban Enterprise Zone. Other food related services attracted to this location are Wei Chuan USA and Woolco Foods. DeBragga & Spitler relocated to 55-77 Amity Street from the Meatpacking District in Manhattan. They are leasing an existing warehouse and purchasing the adjacent vacant land for parking and eventual expansion. They certified into the UEZ Program and took advantage of Jersey City's \$50,000 relocation grant.

**Newport Redevelopment Area Project** The Newport Center project is a 300-acre, master-planned mixed use community consisting of retail, residential, office, leisure, and entertainment facilities. In December 1982, Jersey City received approval of a \$40 million Urban Development Action Grant (UDAG), the largest ever awarded in the history of that Federal program, that effectively jump started the Newport development. The first building constructed was the Newport Centre Mall. It is a premier shopping center with 130 individual stores, anchored by 4 major department stores, a multiplex movie theater, and a food court. Since that time, development has continued in earnest, extending roadways, transportation choices and other community amenities. The Newport Associates Development Co. has just completed "Newport Green", a new 5-acre playground and park connecting Washington Boulevard to the Waterfront Walkway at Fourteenth Street. It includes the first urban beach in New Jersey, a recreational field, an outdoor ping pong table, and several landscaped gardens.

"The Ellipse," the most recent tower to complete construction, is a 41 story, 381 apartment rental building. It is the tallest building in the Newport area and is directly along the waterfront walkway. The building's exterior elliptical shape was designed by the world-renowned architecture firm Arquitectonia

Over \$2 billion has been invested and more than 11 million square feet has been constructed at Newport. When completed, the \$10 billion investment into the Newport community will provide housing for approximately 30,000 residents in 9,000 apartments and have a 1.5 mile section of the Hudson River Waterfront Walkway, 7 million sq. ft. of prestigious office space and two million square feet of retail and shopping opportunities. The Newport Redevelopment Area has developed into another new thriving neighborhood of the city. In addition to the mall, area residents and visitors can take advantage of 14 acres of green space, educational facilities, health and wellness facilities, and even a yacht club.

**Powerhouse Arts District Redevelopment Area.** The Powerhouse Arts District Redevelopment Plan area includes a collection of historic warehouses that have been re-used for residential, art, and entertainment uses. The district is unique and lends itself to conversion to a funky, trendy, retail and entertainment center. This district is 2-4 blocks west of the waterfront and is anchored by the Powerhouse building, an historic structure formerly the power

station for the Hudson and Manhattan Railroad. The 100-year-old castle-like building near the waterfront is owned by the City of Jersey City. The Cordish Company in conjunction with the NY/NJ Port Authority and the Jersey City Redevelopment Agency have entered into a memorandum of agreement to stabilize and rehabilitate the former powerhouse into an entertainment destination for the waterfront. The Cordish Company plans to breathe life into the deteriorating power plant just as it has successfully done in the Baltimore Inner Harbor.

Toll Brothers City Living recently completed the Provost Square development, a 3 acre site in downtown Jersey City just a block from the Grove Street PATH station. The development includes 3 high-rise towers, 38, 33, and 28 stories, totaling 927 units, 960 parking spaces, 45,000 square feet of retail, and a state of the art 24,000 square foot theater as well as 17,000 square feet of art related space. In between the buildings is a half acre public plaza.

**Liberty Harbor North.** This highly successful project does not look like a project at all. It is designed to be an extension of the existing neighborhoods that surround it. This project has two marinas, several miles of waterfront walkway, direct connections to Liberty State Park, ferry service to NYC, two Light Rail Stations and enjoys sweeping views of Liberty State Park, Lower Manhattan and the NY Harbor. It was designed and master planned by the Congress for New Urbanism co-founders Andres Duany and Elizabeth Plater-Zybek. Phase one is complete with 600 residential units. New retail establishments have opened, including the immensely popular Zeppelin Hall Beer Garden, Surf City Beach Bar, Tilted Kilt Pub, and Brew Shot Coffee Shop. Several mixed use projects by a number of different developers have also followed on the coattails of this project, including Gulls Cove, a 320 Condominium building, completed in 2007, "225 Grand", completed in the summer of 2010 with 348 unit rental building by Ironstate Development, Inc. and the KRE Group, and "18Park", completed in the spring of 2014 with over 400 units. The 11 story 18Park facility also includes space for the Boys and Girls Club of Hudson County.

The planning board has also approved a mixed use building that includes a full service flagship Marriott hotel and 475 residences. As many as eleven (11) other buildings are already approved for the area, including a new waterfront park, central park and civic plaza.

**Harborside Financial Center.** The Harborside Financial Center began with a successful warehouse conversion from a refrigerated rail warehouse to Class A office space, which was followed by the construction of new office towers. It is an office and commercial holding of Mack-Cali Realty located on the Hudson River Waterfront. The complex includes restaurants, a retail promenade, two tiered waterfront walkway with outdoor dining and additional service amenities. The Harborside Financial Center currently consists of six office buildings, an indoor and outdoor garden/plaza, and a HBLRT Station. It is all just minutes away from downtown Manhattan via PATH train or ferry. The complex also contains luxury rental apartments on the North Pier and a full service hotel on the South Pier. The Hyatt Regency Jersey City was the first full-service hotel on the Jersey City waterfront. It features 350 guest rooms, over 19,000 square feet of meeting and facility space, a 165-seat restaurant, and a 75-seat lounge and incredible views of Manhattan and the New York Harbor. The current Master Plan for Harborside envisions one more office tower for Plaza 4 and six residential towers on Plazas 6, 7, 8 & 9, new roadway extensions and a widening of the pedestrian plaza adjacent to the light rail station.

Existing Commercial/office building of Harborside are as follows:

Harborside Plaza 1	400,000 Sq. ft.	Re-Use
Harborside Plaza 2	761,200 Sq. ft.	Re-Use
Harborside Plaza 3	725,600 Sq. ft.	Re-Use
Harborside Plaza 4a	207,670 Sq. ft.	New Construction
Harborside Plaza 5	977,225 Sq. ft.	New Construction
Harborside Plaza 10	577,575 Sq. ft.	New Construction

There are approximately 13,600 employees in the existing office towers.

2017 saw the completion of the Jersey City Urby building, a partnership with Ironstate and Roseland Residential, a 69 story, 713 foot tower with 762 apartments. The acclaimed Dutch design firm, Concrete, designed the iconic tower known for its Jenga-like architecture. This building is the first of 3 that will bring a total of 2,358 units upon completion.

In June 2017 the Planning Board gave approval for a new ferry terminal for New York Waterway connecting residents in that area to Battery Park City.

**Hamilton Square.** The Hamilton Square project accomplishes adaptive re-use of the former St. Francis Hospital complex. The old hospital formed an artificial barrier, separating Hamilton Park, a 2 acre Victorian Square, from the east side of the neighborhood. The first phase of this development is complete. The new retail includes a restaurant (GP's), an ice cream parlor that has received significant press and very positive reviews (Milk Sugar Love), wine store, pet store, and vintage department store. It brings the neighborhood together once again by re-establishing the cobblestone street leading to the park, rehabilitating some building, and replacing others. The blocks in the Hamilton Park historic district neighborhood are filled with classic row houses and lush, tree-lined streets.

**Colgate.** Colgate Redevelopment Area is a 24 acre, 10 block site of Jersey City waterfront south of Exchange Place. It was formerly the location of the manufacturing facility for the Colgate Palmolive Company. This area has experienced rapid growth over the past five years and is approaching its planned build-out of six million square feet of office space and close to 2,000 residential units. The first major project in the Colgate Redevelopment Area was 101 Hudson Street with 1.2 million square feet of office space in a well designed Art DECO Revival style skyscraper. Next, developed by Hartz Mountain Industries were 70 and 90 Hudson Street, two office towers on the riverfront with 358, 000 and 372,000 square feet. SJP Properties' renovation of 95 Greene Street, 280,000 square feet of office space in the former Colgate Perfume Building, has been completely leased by Merrill-Lynch. Goldman Sachs' now controls three site within the redevelopment plan area and treats this facility and the Sussex Street pier that they renovated as a public campus with ferry and helicopter access to their sister campus on the Manhattan side of the River. Goldman Sachs has completed their owner occupied office building, a 42 story, 793 feet tall tower with 1.5 million square feet of space, 1,000 underground car garage, ground floor pedestrian and retail amenities.

**Tidewater Basin Redevelopment Area.** The Tidewater Basin Redevelopment Area links new waterfront development with the existing Paulus Hook Historic District. The charm of this area is especially enhanced by watching cars share the path of the light rail trolley along the historic cobblestone street. The 324-unit Windsor at Liberty House was completed in September 2000. Other projects include the Pier House (106 condo units) and Hudson Point (181 rental units), two projects at the foot of Warren Street, Liberty Pointe, a 32 unit condo project just up Warren Street from those previously described, Fulton's Landing with 105 condominium units, and K. Hovnanian at Paulus Hook with 71 condominiums units are all occupied and complete. 198 Van Vorst Street, a 131 unit, 7-story residential project with 4,426 square feet of retail, is completed and occupied.

**Harsimus Cove Station Redevelopment Area.** Several residential projects have been completed and leased. Among the completed projects are the following condominium and rental units: Avalon Cove, Mandalay Bay on the Hudson, Portofino, Marbella, and the 'A'. These residential building encompass over 2,000 market rate units. Metro Plaza shopping center contains four retail buildings totaling 255,000 square feet. The Doubletree Hotel contains 200 rooms. The most recent project to be completed in the area is the Monaco, a residential development of 524 rental units in two 39 story towers atop a 10 story 558 space parking garage and 6,100 square feet of ground floor retail on what is was the Doubletree Hotel's parking lot. The Redevelopment Plan calls for a residential-commercial mixed-use district where certain lands are dedicated to the City of Jersey City for streets and parks. Projects recently completed include 110 First Street and Maribella phase II.

**Port Liberté, Liberty National Golf Course and Country Club, and the Residences at Liberty.** Redevelopment of this scenic area adjacent to Liberty State Park began in 1985 with the development of docks, jetties, and canals for luxury residential apartments and town homes, some with private boat slips at their front door. Later phases replaced new canal construction with an 18-hole professional Majors golf course and private club. Liberty National Golf Course hosted its first international PGA TOUR event, the Barclays, in August of 2009 and

again in August 2013. In 2017 it will host the President's Cup. More than 1600 condominium units are completed with another 1500 planned for the Port Liberté development area.

The Residences at Liberté is the residential development associated with the golf course. Construction has begun on 60 low-rise luxury units along the waterfront walkway and adjacent to the golf club house. When completed, the Residences at Liberté will produce over 1,000 new condominium units located within three towers on the northern slope of the golf course.

**Liberty State Park and Ellis Island.** Over 2,000,000 persons visit Liberty State Park annually, making it the most popular of all state parks in New Jersey. It is the largest urban park in the state, at approximately 1,200 acres. It currently houses, two Marinas, a boat launch, the Liberty House (a 15,000 square foot restaurant and banquet facility), the recently expanded Liberty Science Center, the restored historic Central Railroad of New Jersey Terminal, and an award-winning Interpretive Center. Maritime Parc Restaurant & Catering opened in October 2010 with a 30,000 square foot event space.

The restoration of Ellis Island is ongoing and the result of a partnership between the National Parks Service and Save Ellis Island, Inc. The South Side of the island contains valuable historic resources such as the hospital facility, laundry and luggage building, open space and recreation area, nursing residence and other various support building, totaling 30 in all, built at the turn of the century to welcome immigrants to our land. It is the intent of the National Park Service to renovate these buildings and keep them in public use. The American Family Immigration History Center was unveiled in 2001. Given its national and international stature, the Ellis Island Institute is proposed to be a unique cultural, educational and conferencing facility that will use the power of place to create a venue for international cultural events and meetings. It will involve reuse of the 29 existing buildings on the island and new construction of a hotel, museum and educational facilities. At completion, it will employ 275 full-time and 350 part-time workers.

Ferries to the Statue of Liberty and Ellis Island leave from Jersey City, Liberty State Park throughout the day. The park, a state and regional amenity that attracts visitors from a wide area, is frequently the site of State wide events, including concerts, festivals, and tournaments.

The Division of Planning has conducted a Liberty State Park Circulator Cost-Benefit Analysis. This study is an important first step in restoring transit service to destinations within Liberty State Park. A circulator would build on the City's public transportation network that currently serves the edge of the park. This potential service would make the park more accessible to the 40% of Jersey City households that do not have access to a vehicle..

**The Beacon.** This central City project is the rehabilitation of a monumental Art Deco New Deal Governmental/Hospital Complex. It consists of the adaptive re-use and renovation of ten (10) high rise structures, interior and exterior historic renovation of significant Art Deco and WP Project artifacts, including two theaters, meeting rooms, and lobby space, and new construction of a multi level garage, health spa, pool, museum, and various types of amenity space. Completion of this project, which is the largest historic restoration project in the nation, is expected to create approximately 1,200 market rate residential units. This project represents a significant private investment that is outside of the City's downtown waterfront financial center. Shuttle and full concierge services are provide to various mass transit choices throughout the city.

**Grove Plaza.** As recently as 2000, the Grove Plaza area was considered to be too far from the waterfront to be desirable for high end market rate units. Today, Grove Plaza is considered the heart of downtown. The newly renovated and re-designed Grove Street PATH Station Plaza has served as a festival site and farmers market adding to the vitality of the shopping destination. 2 new 60-story residential towers, 70 and 90 Columbus, connected by the Marriot Hotel in a 150 foot base. This project also provides a newly constructed entrance to the Grove Street Path. New residential construction is moving west along Newark Avenue, including 8 new restaurants along a pedestrian walkway has been completed.

**Martin Luther King Drive.** The redevelopment of Martin Luther King Drive began as a grassroots community based initiative with far-reaching support. Since the adoption of the MLK Drive Redevelopment Plan by the City Council in December 1993, the development of the MLK HUB Shopping Plaza has been accomplished.

A 55,000 square foot supermarket and ancillary stores are in place. The HUB development is now under new ownership. Through a partnership of the Jersey City Redevelopment Agency, Universal Companies of Philadelphia, and Brandywine Corp., MLK Drive will be receiving approximately 205 units of work force housing to be built on City land in and around the HUB. Goldman-Sachs has sponsored a 20 unit housing development just north of the HUB Plaza and light rail station, which has been completed and sold as affordable condominiums.

The Fred W. Martin Apartments offer 39 affordable units in a 4-story building with 12,000 square feet of retail space along the Drive. Many other mixed-use and residential projects are underway along the Drive.

In 2015, The Jersey City Employment and Training Program (JCETP) relocated to the HUB, with Speaker of the House of Representatives Nancy Pelosi, New Jersey Governor Chris Christie, Senator Robert Menendez, NAACP President Cornell Brooks, Congressman Donald Payne Jr., Congressman Albio Sires, and former New Jersey Governors Brendan Byrne and Thomas Keane all attending the ribbon cutting ceremony. JCETP includes the prisoner re-entry program that provides addiction treatment, housing, and employment services as well as standard employment programs for youth, seniors, veterans, and welfare recipients. Former Governor James McGreevey is the director of the JCETP.

In 2017, the City completed the City Hall Annex, a 45,000 square foot building that houses the City's Health, Planning, Zoning, Tenant Landlord relations, and Economic Development. This was a \$20 million investment into an area that the City hopes to bring more economic development and success into.

**Monticello Avenue.** The Monticello Redevelopment Plan covers Monticello Avenue between Communipaw Avenue and Montgomery Street. It encompasses 19 blocks geographically located at the center of Jersey City. The goal is to establish a historically preserved and revitalized neighborhood - a shopping district with a mix of retail, restaurant and service businesses, as well as arts-related venues and activities that reflect the diversity and strong sense of community that prevail in the area. The 12 unit "Rock Garden Plaza" and the 6 unit "120-122 Monticello Avenue" with approximately 7,000 square feet of childcare space on the ground floor, have been completed.

**Berry Lane Park.** Berry Lane Park is a 17.5 acre park was recently completed on a former brownfield site in the Communipaw-Lafayette Section of Jersey City, New Jersey. Construction of the park began in 2012 and opened in the summer of 2016. The park is located between Garfield Avenue and Woodward Street near the Garfield Avenue Hudson Bergen Light Rail station. Directly south of Berry Lane Park is Canal Crossing, an adjacent brownfield site slated for a future residential development.

Berry Lane Park is the largest municipal park in Jersey City. The site includes two basketball courts, two tennis courts, a baseball field, a soccer field, a playground, a rain garden, 600 new trees, and a splash pad water park. New park features coexist with older existing structures that will be preserved or modified: for example, the large concrete silos from a former rail yard will be renovated to contain water features.

**Holland Tunnel and Jersey Avenue Redevelopment Area.** The expanse of land bounded by the entry/exit of the Holland Tunnel, the base of the Palisade Cliffs and neighboring the City of Hoboken, had remained unnoticed for many years. Its newly discovered attractiveness has accelerated an effort to re-connect existing streets, create more building lots and street frontages. There are current NJ Transit approvals for the creation of a new HBLRT Station at Jersey Avenue and Eighteenth Street. Residential re-development of the 10<sup>th</sup> Street corridor is almost complete; with the latest addition of the 58 condominium unit Schroeder Loft project adding to the LeFrak-developed apartments that presently line the corridor. In November 2007, The Home Depot opened a 105,121 square foot multi-level store, which employs 177 people and generating \$50 million in annual sales. Other recently completed residential additions include The Cliffs, 700 Grove Street, Cast Iron Lofts, and Zephyr Lofts.

Proposed plans include the Hoboken Redevelopment Plan area and the New York Avenue Redevelopment Plan area. The 7 acre Van Leer Chocolate Factory site, already under construction with a 2019 completion date, is slated to have up to 90-percent energy savings compared to traditional buildings through the use of geothermal and solar energy, as well as other green technologies and has been recognized in the 11th annual Governor's Environmental Excellence Awards in December 2010.



**Majestic Theater and the Majestic II Projects.** The adaptive re-use of the historic Majestic Theater across from City Hall including the three adjacent historic revival mixed use properties that were vacant and dilapidated, and development of a new adjoining 45 unit residential building. All of the constructed residential units have been sold or rented, and all of the highly desirable commercial spaces have been filled. Majestic II, which is a new mixed use classic mid-rise building with ground floor retail, will complete the third corner of the Montgomery Street & Grove Street intersection, connecting the eclectic buildings of the Van Vorst Historic District to the new City Hall neighborhood redevelopment. Across the street from the Majestic Projects and City Hall is an additional 99 unit 7 story building with ground floor retail space, which opened in early 2016.

**New Jersey City Medical Center and Grand Jersey Redevelopment Plan Area.** The Jersey City Medical Center opened its 325 bed medical facility at Grand and Jersey Avenues in 2004. This \$180 million facility was financed by the FHA. Liberty Health has just completed a 5-story Medical Arts Building adjacent to the Medical Center. There are also plans to triple the capacity of the Emergency Department.

The Grand Jersey Redevelopment Plan was amended at the end of 2017 to allow for a multi-phased residential and retail project that would create 2,000 new units and 50,000 square feet of new retail space. The plans require the clean-up of the Mill Creek Outfall through the construction of a 5 million gallon storm tank to be built with a new public city park on top. For decades the areas surrounding this site have been revitalized while these tracts remained barren. This will provide not only an opportunity for redevelopment, but also for one of the State's largest combined sewer outfall remediation and resiliency project.

**APPENDIX B**

**APPENDIX B – INDEPENDENT AUDITORS' REPORT AND  
AUDITED FINANCIAL STATEMENTS AND ACCOUNTANTS' COMPILATION REPORT  
AND UNAUDITED FINANCIAL STATEMENTS**

**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## EXHIBIT B

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## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Jersey City, in the County of Hudson, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its \$6,695,000 Bond Anticipation Notes, Series 2019B (Federally Taxable) (the "Series 2019B Notes"), its \$45,031,115 Bond Anticipation Notes, Series 2019C (the "Series 2019C Notes") and its \$752,400 Special Emergency Notes, Series 2019D (the "Series 2019D Notes", and together with the Series 2019B Notes and the Series 2019C Notes, the "Notes"). The Notes are being issued pursuant to ordinances and a resolution duly adopted by the Municipal Council. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

SECTION 2. Definitions. In addition to the definitions set forth in the resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Noteholder" shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Notes.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Exchange Act.

"State" shall mean the State of New Jersey.

### SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax-exempt status of the Notes;
7. modifications to rights of Noteholders, if material;
8. Note calls, if material, and tender offers;
9. defeasances;

10. release, substitution or sale of property securing repayment of the Notes, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Noteholders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which the disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.



(c) If disclosure of a Listed Event is required, the Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required

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by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Noteholder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2019

CITY OF JERSEY CITY, IN THE COUNTY OF  
HUDSON, NEW JERSEY

By: \_\_\_\_\_  
Elizabeth Castillo, Acting Chief Financial Officer